

COUNCIL CHAMBERS 17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

REDEVELOPMENT AGENCY

Dennis Kennedy, Chairperson Steve Tate, Vice-Chairperson Larry Carr, Agency Member Mark Grzan, Agency Member Greg Sellers, Agency Member

COUNCIL MEMBERS

Dennis Kennedy, Mayor Steve Tate, Mayor Pro Tempore Larry Carr, Council Member Mark Grzan, Council Member Greg Sellers, Council Member

WEDNESDAY, AUGUST 24, 2005

AGENDA

JOINT MEETING

REDEVELOPMENT AGENCY REGULAR MEETING

and

CITY COUNCIL SPECIAL MEETING

7:00 P.M.

A Special City Council Meeting Is Called at 7:00 P.M. for the Purpose of Conducting Closed Sessions and City Business.

Dennis Kennedy, Mayor

CALL TO ORDER

(Chairperson/Mayor Kennedy)

ROLL CALL ATTENDANCE

(Agency Secretary/City Clerk Torrez)

DECLARATION OF POSTING OF AGENDA

Per Government Code 54954.2

(Agency Secretary/City Clerk Torrez)

City of Morgan Hill Regular Redevelopment Agency and Special City Council Meeting August 24, 2005 Page - 2 -

7:00 P.M.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

RECOGNITIONS

Outstanding High School Athletes Mayor Kennedy

CITY COUNCIL SUBCOMMITTEE REPORTS

OTHER REPORTS

Financial Policy Committee Quarterly Report City Treasurer Roorda

PUBLIC COMMENT

NOW IS THE TIME FOR COMMENTS FROM THE PUBLIC REGARDING ITEMS <u>NOT</u> ON THIS AGENDA. (See notice attached to the end of this agenda.)

PUBLIC COMMENTS ON ITEMS APPEARING ON THIS AGENDA WILL BE TAKEN AT THE TIME THE ITEM IS ADDRESSED BY THE COUNCIL. PLEASE COMPLETE A SPEAKER CARD AND PRESENT IT TO THE CITY CLERK.

(See notice attached to the end of this agenda.)

PLEASE SUBMIT WRITTEN CORRESPONDENCE TO THE CITY CLERK/AGENCY SECRETARY. THE CITY CLERK/AGENCY SECRETARY WILL FORWARD CORRESPONDENCE TO THE CITY COUNCIL/REDEVELOPMENT AGENCY.

Redevelopment Agency Action

CONSENT CALENDAR:

ITEM 1

The Consent Calendar may be acted upon with one motion, a second and the vote, by each respective Agency. The Consent Calendar items are of a routine or generally uncontested nature and may be acted upon with one motion. Pursuant to Section 5.1 of the City Council Rules of Conduct, any member of the Council or public may request to have an item pulled from the Consent Calendar to be acted upon individually.

Time Estimate Page

Consent Calendar: 1 - 10 Minutes

Recommended Action(s):

- 1. **Approve** the Program Guidelines; and
- 2. <u>Authorize</u> the Executive Director to do Everything Necessary and Appropriate to Establish and Implement the Program, Including the Preparation and Execution of Loan Documents.

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City Council Action

CONSENT CALENDAR:

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2.	INDOOR RECREATION CENTER PROJECT – JULY CONSTRUCTION PROGRESS REPORT	9
	Recommended Action(s): Information Only.	
3.	APPOINTMENT OF COMMUNITY CONVERSATION CONSULTANT Recommended Action(s):	10
	 Authorize the City Manager to Execute an Agreement with Viewpoint Learning Inc. for Community Conversation Public Engagement Services for a Maximum Cost of \$74,500; Subject to Interim City Attorney Review of the Form of Agreement; and Increase General Fund Appropriations by \$25,000 for other Community Conversation Services and Expenses. 	
4.	APPOINTMENT OF EXECUTIVE SEARCH FIRM FOR CITY ATTORNEY RECRUITMENT	18
5.	CAPITAL IMPROVEMENT PROGRAM FUNDING FOR REGIONAL SOCCER COMPLEX	31
6.	COMMUNITY PARK IMPROVEMENTS – RESOLUTION SUPPORTING A GRANT FUNDING APPLICATION FOR THE PER CAPITA GRANT PROGRAM UNDER THE STATE CLEAN WATER, CLEAN AIR, SAFE NEIGHBORHOOD PARKS, AND COASTAL PROTECTION ACT OF 2002	33
	Recommended Action(s): Adopt the Resolution Approving the Filing of an Application for Local Assistance Funds from the Per Capita Grant Program under the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002.	
7.	APPROVE WATER METER SOLE SOURCE PURCHASE Recommended Action(s): 1. Approve Purchase of Water Meters, Meter Parts and MXUs (Radio Transmitters) from Invensys Metering Systems; and 2. Approve Purchase Order of \$299,300 to Invensys Metering Systems for the Annual Supply of Water	36
8.	Meters, Meter Parts and MXUs. ACCEPTANCE OF SUBDIVISION IMPROVEMENTS FOR TRACT 9396, COYOTE CREEK ESTATES Recommended Action(s): 1. Adopt Resolution Accepting the Subdivision Improvements Included in Tract 9396, Commonly Known as Coyote Creek Estates; and	37
	2. <u>Direct</u> the City Clerk to File the Notice of Completion with the County Recorder's Office.	

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9.	REIMBURSEMENT FOR PUBLIC IMPROVEMENTS BY COYOTE CREEK ESTATES	
	(TRACT 9396)	40
	Recommended Action(s):	
	1. <u>Approve</u> Appropriation of \$59,066 from Current Year Unappropriated Public Facility/Non-AB 1600	
	(346) Fund to fund this Reimbursement; and	
	2. <u>Authorize</u> Reimbursement of \$59,066 for Installation of Off-Site Improvements by 5M Development LLC.	
10.	PUBLIC WORKS MAINTENANCE AGREEMENT FOR EMERGENCY PUMP	
	MAINTENANCE AND REPAIRS FOR BOOSTER STATIONS FOR FISCAL YEARS 2005-2006	4.1
	AND 2006-2007	41
	Recommended Action(s): 1. Approve New Meintenance Agreement for Emergency Pump Meintenance and Renairs for Recetar	
	 Approve New Maintenance Agreement for Emergency Pump Maintenance and Repairs for Booster Stations; and 	
	2. <u>Authorize</u> the City Manager to Execute the Agreement on Behalf of the City.	
11.	ACCEPTANCE OF THE SUPERVISORY CONTROL AND DATA ACQUISITION (SCADA) TELEMETRY REPLACEMENT PROJECT	42
	Recommended Action(s):	42
	1. Accept as Complete the SCADA Telemetry Replacement Project (PN 606093) in the Final Amount	
	of \$994.898; and	
	2. Direct the City Clerk to File the Notice of Completion with the County Recorder's Office.	
12.	MEMBERSHIP IN SILICON VALLEY HIGH-SPEED RAIL COALITION	44
	Recommended Action(s):	
	1. <u>Approve</u> the Regional Planning and Transportation Sub-Committee Recommendation that the City of	
	Morgan Hill Join the Silicon Valley High-Speed Rail Coalition; and	
	2. <u>Authorize</u> the Mayor to Support the Silicon Valley High-Speed Rail Coalition.	
13.	APPROVAL OF IMPROVEMENT AGREEMENT FOR LUSAMERICA	45
	Recommended Action(s):	
	1. Approve the Improvement Agreement; and	
	2. <u>Authorize</u> the City Manager to Sign the Agreement on Behalf of the City with Frederico Enterprises I, LLC.	
	LLC.	
14.	AWARD MONTEREY ROAD BIKE DETECTION INSTALLATION PROJECT	54
	Recommended Action(s):	
	1. Award Contract to Beltramo Electric, Inc. for the Installation of the Monterey Road Bicycle	
	Detection Project in the Amount of \$36,455; and	
	2. <u>Authorize</u> Expenditure of Construction Contingency Funds, Not to Exceed \$3,645.	
1.5	CECOND AMENDMENT TO ACDEEMENT WITH THE LAW FIRM OF JODGENSON	
15.	SECOND AMENDMENT TO AGREEMENT WITH THE LAW FIRM OF JORGENSON, SIEGEL, McCLURE & FLEGEL, LLP	56
	Recommended Action(s): Authorize the City Manager to Execute a Second Amended Agreement with	
	the Law Firm of Jorgenson, Siegel, McClure and Flegel, LLP.	
16.	LOCAL HAZARD MITIGATION PLAN STRATEGIES	57
	Recommended Action(s): Review the Pre-Disaster Mitigation Strategies for Information Purposes as	
	Required by the Disaster Mitigation Act of 2000 and the Association of Bay Area Governments.	

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Redevelopment Agency and City Council Action

CONSENT CALENDAR:	

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17.	POLICY REGARDING THE SELECTION OF VICE-CHAIR TO THE REDEVELOPMENT AGENCY	62
	Recommended Action(s): Amend the City Council Policy to Stipulate that the Mayor Pro Tempore, who is Appointed on an Annual Rotation Basis, is also to Serve as Vice-Chair to the Redevelopment Agency.	02
18.	APPROVE JOINT REGULAR REDEVELOPMENT AGENCY AND SPECIAL CITY COUNCIL MEETING MINUTES OF JULY 27, 2005	63
19.	APPROVE JOINT SPECIAL AND REGULAR CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES OF AUGUST 3, 2005.	103
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20.	JULY 2005 REDEVELOPMENT AGENCY FINANCE & INVESTMENT REPORT Recommended Action(s): Accept and File Report.	133
City	Council Action (Continued)	
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21.	JULY 2005 CITY FINANCE & INVESTMENT REPORT Recommended Action(s): Accept and File Report.	142
22.	JUNE 2005 FINAL FINANCE & INVESTMENT REPORT Recommended Action(s): Accept and File Report.	165

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City Council Action

<u>PUBI</u>	<u> IC HEARINGS:</u>		
	Time Estimate		Page
23.	15 Minutes	FIRE INSPECTION AND PLAN REVIEW FEES.	188
		Public Hearing Opened. Please Limit Your Remarks to 3 Minutes. Public Hearing Closed	
		Council Discussion.	
		Action- Adopt Resolution Revising Fire Inspection and Plan Review Fees.	
24.	5 Minutes	AMENDMENT OF MUNICIPAL CODE REGARDING ADOPTION OF THE	
		2004 CALIFORNIA ELECTRICAL CODE	201
		Public Hearing Opened.	
		Please Limit Your Remarks to 3 Minutes. Public Hearing Closed	
		Council Discussion.	
		Action- Motion to Waive the Reading in Full of Ordinance.	
		Action- Motion to Introduce Ordinance by Title Only. (Roll Call Vote)	

City Council Action

<u>OTHEI</u>	R BUSINESS: Time Estimate		Page
25.	15 Minutes	STATUS REPORT ON MORGAN HILL AQUATIC FOUNDATION Recommended Action(s): Discuss Relationship between the City and the Morgan Hill Aquatic Foundation.	205
26.	5 Minutes	REQUEST TO SCHEDULE A HALF-DAY CITY COUNCIL WORKSHOP. Recommended Action(s): Identify Date to Conduct a Workshop.	206

FUTURE COUNCIL-INITIATED AGENDA ITEMS:

Note: in accordance with Government Code Section 54954.2(a), there shall be no discussion, debate and/or action taken on any request other than providing direction to staff to place the matter of business on a future agenda.

Redevelopment Agency Action and City Council Action

CLOSED SESSION:

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Authority: Government Code Sections 54956.9(b) & (c)

Number of Potential Cases:

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2.

CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION

Authority: Government Code Section 54956.9(a)

Case Name: General Lighting Service, Inc. v. Wells Construction Group, et al.

[Consolidated Actions]

Case Number: Santa Clara County Superior Court, Lead Case No. 1-04-CV-025561

3.

CONFERENCE WITH LABOR NEGOTIATOR:

Authority: Government Code Section 54957.6
Agency Negotiators: City Manager; Human Resources Director

Employee Organizations: AFSCME Local 101

Morgan Hill Community Service Officers Association

4.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Authority Government Code 54957

Public Employee Performance Evaluation: City Manager

Attendees: City Council, City Manager

OPPORTUNITY FOR PUBLIC COMMENT

ADJOURN TO CLOSED SESSION

RECONVENE

CLOSED SESSION ANNOUNCEMENT

ADJOURNMENT



REDEVELOPMENT AGENCY

MEETING DATE: August 24, 2005

Prepared By:

Agenda Item # 1

BAHS Director
Submitted By:

Executive Director

LOAN PROGRAM FOR RDCS APPLICATIONS FOR THE DOWNTOWN SETASIDE

RECOMMENDED ACTION(S): 1) Approve the program guidelines and 2) Authorize the Executive Director to do everything necessary and appropriate to establish and implement the program including the preparation and execution of loan documents.

EXECUTIVE SUMMARY: At the July 27, 2005 meeting, the Council directed staff to develop a loan program to fund costs related to the submittal of an application for allocation of units in the downtown under the Residential Development Control System (RDCS). This action was based on the Council's Community & Economic Committee (C&ED) finding that design and application fees can be an inhibitor to developers wanting to submit an RDCS application for downtown, especially given the uncertainty in receiving an allocation.

The following key program guidelines were developed in discussion with the C&ED:

- Max. Loan Amount of \$30,000
- Costs to be reimbursed upon submittal of invoices and completed program application
- Eligible expenses include application fees, professional services (e.g., architects, engineers), and other related costs but excluding any in-kind services or compensation to the developer
- Loan to be secured by real estate
- Interest rate is 3% simple interest
- Deferred loan due upon the sale of property, Measure C award allocation, or three (3) years whichever is earliest.
- Loans allocated on a first come, first serve basis
- No credit/reimbursement for previous application expenses
- Only available for applications submitted for the downtown setaside category
- Executive Director can administratively approve and execute loan documents

This program would be made available for the RDCS application process this year.

FISCAL IMPACT: The BAHS FY05-06 Economic Development (ED) budget has sufficient funding for this program. Staff anticipates that upwards of six applications may be received for the loan program which would require a maximum outlay of \$180,000 for the loan program. The implementation of this program may impact the availability of funds for future ED activities.



CITY COUNCIL STAFF REPORT MEETING DATE: August 24, 2005

INDOOR RECREATION CENTER PROJECT – JULY CONSTRUCTION PROGRESS REPORT

RECOMMENDED ACTION(S): *Information Only*

Agenda Item # 2
Prepared By:
Project Manager
Approved By:
Public Works Director
Submitted By:
City Manager

EXECUTIVE SUMMARY:

Previous Council action awarded the contract for construction of the Indoor Recreation Center Project to West Coast Contractors, Inc. At that time, staff informed Council that we would report monthly on the progress of the construction. Attached is the progress report for the month of July. This report has been sent to our webmaster for posting on the City's website. Current construction activity can be viewed on the internet at www.novapartners.com/mhire

The contractor has begun erecting the concrete block walls. A good portion of the underground utilities are completed. We expect to begin the parking lot "winterization" process later this month. Barring any unforeseen circumstances, the anticipated Grand Opening is September 5, 2006. The project is currently on schedule and within budget.

FISCAL IMPACT: None



CITY COUNCIL STAFF REPORT MEETING DATE: AUGUST 24, 2005

TITLE: APPOINTMENT OF COMMUNITY CONVERSATION CONSULTANT

Agenda Item # 3
Prepared By:
Jack Dilles
Submitted By:
City Manager

RECOMMENDED ACTION:

- 1) Authorize the City Manager to execute an agreement with Viewpoint Learning Inc. for community conversation public engagement services for a maximum cost of \$74,500, subject to Acting City Attorney review of the form of agreement.
- 2) Increase General Fund appropriations by \$25,000 for other community conversation services and expenses.

EXECUTIVE SUMMARY:

The Financial Policy Committee has reviewed three proposals submitted to the City for public engagement services in connection with the community conversation regarding the balance between taxes and services in Morgan Hill. The Committee recommends that the firm of Viewpoint Learning Inc. be selected to design and manage this critical process. This firm is very experienced in managing community conversations. Their proposal is attached. Staff, at the Committee's request, has asked the consultant to provide more detail as to the timeline and tasks included in their proposal.

The community conversation schedule presented to the City Council by the Financial Policy Committee on June 15 indicated that the city would educate and invite engagement in conversation beginning in July, explore options interactively beginning in January 2006, and develop consensus on a plan by May 2006. The proposal from Viewpoint Learning meets this schedule except that the process is getting started a little late than planned.

FISCAL IMPACT:

Appropriations of \$50,000 for community conversation consultant services and \$25,000 for related materials and expenses, for a total of \$75,000, were included in the adopted 2005/06 City Council budget. The June 15 Committee report to the City Council had indicated that the \$50,000 budget for consultant services appeared to be at the low end of the range for public engagement services, and that has now become evident. In order to have sufficient appropriations available, the Financial Policy Committee recommends that the City Council approve a \$25,000 increase in the 2005/06 City Council budget within the General Fund.

Even at this higher level of cost, City staff will be very busy carrying out many of the details of managing the community conversation. In particular, staff will be using a "meeting-in-a-box" kit designed by the consultant to engage the community in conversation. This level of staff commitment may impact other 2005/06 work plan endeavors.



MEMORANDUM

To: Ed Tewes, City Manager

Cc: Jack Dilles, Director of Finance

From: Heidi Gantwerk

Subject: Public engagement on the balance between taxes and services in Morgan Hill

Issue: For several decades, the city of Morgan Hill has been an attractive place to live for many Silicon Valley commuters. Traditionally the city has had lower taxes than other nearby cities, such as Palo Alto, and consequently a lower level of service. This low tax/low service philosophy combined with sound fiscal management and thoughtful long term planning (in particular a significant general fund reserve) has left Morgan Hill in a better position than many other municipalities to deal with several looming financial challenges. But cuts in the state budget and decreases in city tax revenues along with increasing costs for employee benefits and other city budget items have taken a toll, and the city has begun to dip into reserves. The time is right for the residents of Morgan Hill to re-examine what kind of city they want; what services they expect, what they are willing to pay for and under what conditions. This proposal outlines a cost effective way to build essential public support to address this issue between now and a possible ballot measure in 2006.

Background: Simply to maintain current minimal services, the city will need to find at least \$1.2 million annually in additional revenues. A healthy reserve fund means that a crisis is not just around the corner, but the city has already seen reductions in staff and services paid out of the general fund. Any improvement in services (i.e. additional fire protection, park maintenance, activities for children) will require additional revenues over and above that 1.2 million. Although voters soundly rejected extending the utility users tax back in 1992, the population has changed a great deal in the past decade. Many current residents have moved to Morgan Hill from cities with a higher level of service, and may have different expectations of their city government than previous residents.

The detailed poll conducted earlier this year provides an excellent starting point for a city-wide conversation about what people want from their city government and what they are willing to pay for. One critical finding from that survey is that there is a positive disposition toward the local government and support for improving services, yet at the same time a majority of residents opposed every single fundraising measure tested. This illustrates that residents really have not yet connected the dots, moved past wishful thinking, and worked through the choices

and tradeoffs. It also underlines the value and necessity of the citizen engagement process that city leaders are considering.

Engaging the Residents of Morgan Hill: Elected and civic leaders in Morgan Hill (including the senior staff of city government) often have opportunities to address meetings of residents or to engage them in other ways, in person or through the media. What we propose is to develop a toolbox (a "Meeting-in-a-Box") that will help leaders in Morgan Hill to make better use of these opportunities in order to:

- 1. Increase public awareness of the issues and challenges
- 2. Engage the public in a dialogue to work through different possible approaches and gain ownership for the decisions that will ultimately be made
- 3. Provide a mechanism for ongoing feedback between interested members of the public and decision-makers, building a constituency for change.

What is a "Meeting-in-a-Box"? A "Meeting in a Box" is a specialized kit that will allow Morgan Hill's leaders, their representatives and a range of local organizations at all levels to conduct a 2-3 hour "mini-dialogue" in which people begin to work through the choices themselves. The kit includes several components:

- A brief **workbook** and supporting print materials outlining a set of alternative scenarios and their pros and cons along with essential background information.
- A **video companion** to the workbook that includes clips of real people working through the choices and tradeoffs outlined in the materials. The video helps people absorb the information quickly and quickly get to tradeoffs, which is essential if they are to move past wishful thinking.
- A detailed **process guide** for leaders or other facilitators providing workbook specific step by step instructions for leading a session.
- A print **feedback mechanism** that will allow leaders to track the responses of participants and to continue to engage them over time. (For an additional cost, more elaborate ongoing feedback mechanisms making use of the Internet and on-line dialogue can also be developed.).

Drawing on the results of prior Viewpoint Learning ChoiceDialogue research on taxation and government spending as well as the poll results from the April survey will enable us to create a process that takes people through the most compelling arguments quickly and gets to the heart of the matter in an accelerated fashion. These sessions replace top down models of public education with two-way dialogue in which citizens become partners in solving problems.

Morgan Hill's educational institutions, public schools, service organizations, labor unions, and community organizations can also use the "Meeting in a Box" to increase the number of residents participating in the conversation. When accompanied by ongoing Internet dialogue and feedback, this method can create a growing list of citizens who are engaged in the issue over a longer period of time. The materials can also be adapted for use by the local print and on-line media These meetings can be scaled to different sized groups; and for very large groups additional features, including professional facilitation, usually need to be added.

Training for "Meeting in a Box": the "Meeting in a Box" kit will be designed so that it can be used adequately without special training. However, those who want to use the technique also have the option of a specialized training program. This program provides training in both the specific subject-matter materials to be used and in structured dialogue. Participating in such training helps those who want to conduct "Meeting in a Box" sessions increase their skills in using these materials in public dialogues.

Proposed project timetable:

September-November	Prepare workbook and related materials	
	o Research	
	 Develop scenarios 	
	 Write workbook 	
	 Develop written feedback form 	
	2. Design process	
	 Prepare meeting guide 	
Early November	3. Conduct and videotape test dialogue	
November -December	4. Adjust workbook and process if necessary	
	5. Prepare edited videotape for use in meetings	
	6. Design training session	
	7. Produce complete Meeting-in-a-Box toolkit	
December-January	8. Conduct one or more training sessions	
January-February	9. Consult on media relations and analysis of results for initial use(s) of the Meeting-in-a-Box.	

Budget:

Prepare workbook and related materials*	25,000
Design process and prepare guide *	15,000
Conduct and videotape the test dialogue**	7,000
Prepare edited videotape	7,500
Design training session	5,000
Produce complete Meeting-in-a-Box toolkit***	3,000
Conduct training session****	7,000
Consultation on media relations and analysis	<u>5,000</u>
TOTAL	74,500

* Includes any needed modifications to the workbook or process guide following test dialogue

Does not include direct cost for meeting site, refreshments, recruiting, participant honoraria (if any), and videotaping.

^{****} Does not include direct cost for printing and videotape duplication
**** This price is per session for up to 20 participants. Does not include direct costs (meeting site, refreshments, etc.), and assumes participants will be recruited by the City of Morgan Hill.

A description of the Viewpoint Learning approach to the Community Conversation:

The ["Meetings in a Box"] were a vehicle for framing public discussion and a catalyst for the kinds of conversations that would move people beyond superficial and uninformed opinions toward *public judgment*, a term Yankelovich defines as "highly developed public opinion that exists once people have engaged an issue, considered it from all sides, understood the choices it leads to, and accepted the full consequences of the choices they make."

From The Deliberative Democracy Handbook (2005), p. 41.

Viewpoint Learning develops specialized dialogues for business and public policy. The purpose of our company is to advance a new form of learning — learning through dialogue.

This kind of learning is indispensable to people in leadership positions — at all levels of the organization. It builds the shared frameworks and language, the mutual respect and understanding needed for productive negotiations and decision-making.

When people with different beliefs, backgrounds, professions, and values must find common ground — when organizations need to capitalize on different perspectives to foster innovation — dialogue is the key.

Dialogue digs beneath the surface of ordinary conversation and brings the diversity of peoples' viewpoints to light. Learning from these viewpoints shapes leadership judgment, foresight, successful relationships, and understanding.

Most people associate learning with technical expertise, scientific research and factual information. But our research shows that effective leadership depends less on technical learning than on what we call "Viewpoint Learning" — learning that produces not technical knowledge, but insight, sound judgment and breadth of understanding.

Skillful <u>dialogue</u> – a rare event – is the ideal method for acquiring this kind of learning.

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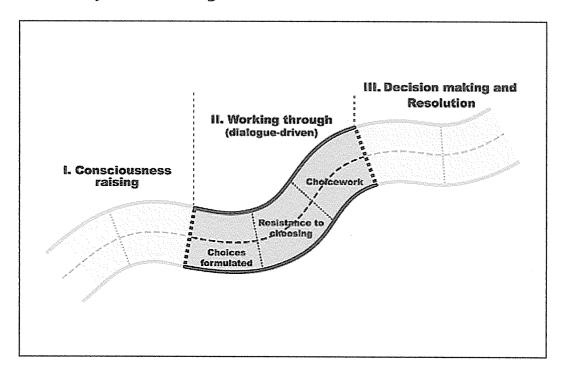
VIEWP INT LEARNING INC. Viewpoint-Learning Defined Dialogue Social Change

Viewpoint Learning's vision and mission is to give people the tools they need to implement a new style of dialogue- and learning-based leadership.

In traditional leadership, leaders point a direction and followers follow it. Sometimes leaders inspire, sometimes they command. But traditional leadership is always top-down: leaders make the important decisions and then motivate or educate others to follow.

Our Viewpoint-Learning™ Model is based on a new understanding of how people in organizations and society now need to learn, align, lead, and implement.

The Viewpoint-Learning™ Model





TITLE:

CITY COUNCIL STAFF REPORT MEETING DATE: AUGUST 24, 2005

APPOINTMENT OF EXECUTIVE SEARCH FIRM FOR CITY ATTORNEY RECRUITMENT

Agenda Item # 4
Prepared By:
Jack Dilles
Submitted By:
City Manager

RECOMMENDED ACTION:

Authorize the City Manager to execute an agreement with Bob Murray & Associates for City Attorney recruitment services for a maximum cost of \$24,400, subject to Interim City Attorney review of the form of agreement.

EXECUTIVE SUMMARY:

On July 6, the City Council directed staff to request proposals from qualified recruitment firms as a first step in moving toward consideration of the selection of a city attorney. Staff obtained five proposals for executive search recruitment services and brought these proposals to the Financial Policy Committee for their review and recommendations. The Committee recommended that the firm of Bob Murray & Associates be selected to complete this important task. This firm is very experienced in City Attorney recruitments and is adept at matching the qualifications of candidates with the needs of the City Council. Their proposal is attached.

FISCAL IMPACT:

Sufficient appropriations for the maximum cost of \$24,400 were included in the adopted 2005/06 City Attorney budget. The total maximum cost includes \$17,500 for executive search services and \$6,900 in additional expenses.



A PROPOSAL TO CONDUCT AN EXECUTIVE RECRUITMENT FOR A City Attorney ON BEHALF OF THE City of Morgan Hill

July 14, 2005

Mayor Dennis Kennedy and Members of the City Council c/o Mr. Edward Tewes, City Manager City of Morgan Hill 17555 Peak Avenue Morgan Hill, CA 95037

Dear Mayor Kennedy, Members of the City Council, and Mr. Tewes:

Thank you for inviting Bob Murray & Associates to submit a proposal to conduct the City Attorney recruitment for the City of Morgan Hill. The following proposal details our qualifications and describes our process of identifying, recruiting and screening outstanding candidates on your behalf. It also includes a proposed budget, timeline, guarantee and sample recruitment brochure.

At Bob Murray and Associates, we pride ourselves on providing quality search to local governments. Through many years of experience, we have created an ideal recruitment process by combining our ability to help you to determine the direction of the search and the types of candidates you seek with our experience recruiting candidates who are not necessarily looking for a job and are doing well in their current position. Working with professionalism, integrity and personal attention, our team-oriented search process, in addition to our proven expertise, ensures that the candidates we present for your consideration will match the criteria you have established and will be outstanding in their field.

With respect to the City Attorney recruitment, Bob Murray and Associates offers the following expertise:

- Bob Murray and Associates has significant experience conducting City Attorney recruitments. Currently, we in the final stages of conduciting the City Attorney search for the City of Monterey. Our recent experience includes City Attorney searches for the cities of Salinas, Newport Beach, Stockton, Palo Alto, Bakersfield, San Mateo, Concord, Mountain View, Fresno, and South Lake Tahoe, as well as the Assistant City Attorney searches for Pleasanton and Hayward. We have also conducted the Presiding Judge recruitment on behalf of Aurora, CO. Our knowledge of outstanding candidates and extensive network of contacts will ensure that the City of Morgan Hill has an outstanding group of finalists from which to select the new City Attorney.
- We are familiar with Santa Clara County and the surrounding region. We have conducted recruitments on behalf of the cities of Campbell (City Manager and Finance Director), Milpitas (Fire Chief, Planning and Neighborhood Services Director, and Economic Development Manager), Mountain View (Fire Chief, Police Chief, and others), Palo Alto (Planning and Community Environment Director and

City Attorney), San Jose (Deputy Director of Environmental Services, Integrated Waste Manager, Director of Transportation, and Deputy Director of Finance), and Sunnyvale (Public Safety Director, Parks and Recreation Director, and Public Works Director). Our knowledge of the region, its issues and the County's outstanding quality of life will be an asset in presenting this opportunity to prospective candidates

Bob Murray and Associates' experience designing and conducting successful recruitment processes on behalf of cities, counties and special districts is unmatched in the field. Our process is specifically designed to meet your needs. We have developed and carried out numerous recruitment processes involving a wide variety of interests both inside and outside the organization. Should the City so desire, we can develop a process that provides a forum for the participation of members of the City Council, Department Heads, staff and representatives of the community, as appropriate, in both the development of the candidate profile, as well as the selection process. Our expertise includes designing interview strategies that involve these groups in the process, while ensuring that the City Council is able to make the final selection. In addition, we can facilitate the discussion among these groups that leads to a consensus concerning the ideal candidate. Our knowledge of how to develop an effective process that is suited specifically to the needs of the City is unsurpassed.

A significant portion of our process focuses on conducting thorough and confidential background investigations of candidates to ensure that nothing about them is left undiscovered. We have candid discussions with references who have insight into the candidate's experience, style and ethics; conduct a search of newspaper articles; and later, run credit, criminal and civil records reports on the top 2-3 individuals under consideration. This ensures that the chosen candidate will not only be an excellent fit with the City of Morgan Hill, but also that he/she will reflect positively upon your organization.

To learn first hand of the quality of our service and our recruitment successes, we invite you to contact the references listed on page 9 of the attached proposal.

We look forward to your favorable consideration of our qualifications. Please do not hesitate to contact us at (916) 784-9080 should you have any questions.

Sincerely,

Bob Murray and Associates

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THE RECRUITMENT PROCESS

Bob Murray and Associates' unique and client oriented approach to executive search will ensure that the City of Morgan Hill has quality candidates from which to select the new City Attorney. Outlined below are the key steps in our recruitment process.

STEP 1 DEVELOPING THE CANDIDATE PROFILE

Our understanding of the City of Morgan Hill's needs will be key to a successful search. We will work with the City Council and City Manager to learn as much as possible about the organization's expectations for a new City Attorney. We want to learn the values and culture of the organization, as well as understand the current issues, challenges and opportunities that face the City of Morgan Hill. We also want to know the City Council and City Manager's expectations regarding the knowledge, skills and abilities sought in the ideal candidate and will work with the City to identify expectations regarding education and experience. Additionally, we want to discuss expectations regarding compensation and other items necessary to complete the successful appointment of the ideal candidate. The profile we develop together at this stage will drive subsequent recruitment efforts.

STEP 2 ADVERTISING CAMPAIGN AND RECRUITMENT BROCHURE

After gaining an understanding of the City of Morgan Hill's needs, we will design an effective advertising campaign appropriate for the City Attorney recruitment. We will focus on professional journals that are specifically suited to the City Attorney search. We will also develop a professional recruitment brochure on the City Council and City Manager's behalf that will discuss the community, organization, position and compensation in detail. Once completed, we will mail the profile to an extensive audience, making them aware of the exciting opportunity with the City of Morgan Hill.

STEP 3 RECRUITING CANDIDATES

After cross-referencing the profile of the ideal candidate with our database and contacts in the field, we will conduct an aggressive outreach effort, including making personal calls to prospective applicants, designed to identify and recruit outstanding candidates. We recognize that the best candidate is often not looking for a new job and this is the person we actively seek to convince to become a candidate. Aggressively marketing the City Attorney position to prospective candidates will be essential to the success of the search.

STEP 4 SCREENING CANDIDATES

Following the closing date for the recruitment, we will screen the resumes we have received. We will use the criteria established in our initial meetings as a basis upon which to narrow the field of candidates.

STEP 5 PERSONAL INTERVIEWS

We will conduct personal interviews with the top 10 to 12 candidates with the goal of determining which candidates have the greatest potential to succeed in your organization. During the interviews we will explore each candidate's background and experience as it relates to the City Attorney position. In addition, we will discuss the candidate's motivation for applying for the position and make an assessment of his/her knowledge, skills and abilities. We will devote specific attention to establishing the likelihood of the candidate's acceptance of the position if an offer of employment is made.

STEP 6 DETAILED REFERENCE CHECKS

Following the interviews, the most qualified candidates will be the subjects of detailed, confidential reference checks. In order to gain an accurate and honest appraisal of the candidates' strengths and weaknesses, we will talk candidly with people who have direct knowledge of their work and management style. We will ask candidates to forward the names of their supervisors, subordinates and peers for the past several years. Additionally, we make a point of speaking confidentially to individuals who we know have insight into a candidate's abilities, but who may not be on his/her preferred list of contacts. We will also conduct a review of published articles for each candidate. Various sources will be consulted including Lexis-NexisTM, a newspaper search engine. At this stage in the recruitment we will also verify candidates' degrees.

STEP 7 RECOMMENDATION

Based on the information gathered through meetings with your organization, personal interviews with candidates and reference checks, we will recommend a limited number of candidates for your further consideration. We will prepare a detailed written report on each candidate that focuses on the results of our interviews, reference checks and newspaper reviews. We will make specific recommendations, but the final determination of those to be considered will be up to you.

STEP 8 FINAL INTERVIEWS

Our years of experience will be invaluable as we help you develop an interview process that objectively assesses the qualifications of each candidate. We will adopt an approach that fits your needs, whether it is a traditional interview, multiple interview panel or assessment center process. We will provide you with suggested interview questions and rating forms and will be present at the interview/assessment center to facilitate the process. Our expertise lies in facilitating the discussion that can bring about a consensus regarding the final candidates.

We will work closely with your staff to coordinate and schedule interviews and candidate travel. Our goal is to ensure that each candidate has a very positive experience, as the manner in which the entire process is conducted will have an effect on the candidates' perception of your organization.

STEP 9 BACKGROUND CHECKS

Based on final interviews we will conduct credit, criminal, civil litigation and motor vehicle record checks for the top one to three candidates. Any additional reference checks not completed because of a candidate's need for confidentiality will also be done at this time.

STEP 10 NEGOTIATIONS

We recognize the critical importance of successful negotiations and can serve as your representative during this process. We know what other organizations have done to put deals together with great candidates and will be available to advise you regarding current approaches to difficult issues such as housing and relocation. We will represent your interests and advise you regarding salary, benefits and employment agreements with the goal of putting together a deal that results in the appointment of your chosen candidate. Most often we can turn a very difficult aspect of the recruitment into one that is viewed positively by both you and the candidate.

STEP 11 COMPLETE ADMINISTRATIVE ASSISTANCE

Throughout the recruitment we will provide the City Council and City Manager with updates on the status of the search. We will also take care of all administrative details on your behalf. Candidates will receive personal letters advising them of their status at each critical point in the recruitment. In addition, we will respond to inquiries about the status of their candidacy within twenty-four hours. Every administrative detail will receive our attention. Often, candidates judge our clients based on how well these details are handled.

BUDGET AND TIMING

PROFESSIONAL FEE AND EXPENSES

The consulting fee for conducting the City Attorney recruitment on behalf of the City of Morgan Hill is \$17,500 plus expenses. Services provided for the fee consist of all steps outlined in this proposal including three (3) days of meetings on site. The City of Morgan Hill will be responsible for reimbursing expenses Bob Murray and Associates incurs on your behalf. We estimate expenses for this project to be \$6,900. Reimbursable expenses include such items as the cost of travel, clerical support, placement of ads, credit, criminal and civil checks, education verification, as well as newspaper searches. In addition, postage, printing, photocopying, and telephone charges will be allocated.

TIMING

We are prepared to start work on this assignment immediately and anticipate that we will be prepared to make our recommendation regarding finalists within seventy five to ninety days from the start of the search.

GUARANTEE

We guarantee that should the selected candidate be terminated for cause within the first year of employment we will conduct the search again at no cost (with the exception of expenses) to the City of Morgan Hill. We are confident in our ability to recruit outstanding candidates and do not expect the City of Morgan Hill to find it necessary to exercise this provision of our proposal.

PROFESSIONAL QUALIFICATIONS

BOB MURRAY, PRESIDENT

Mr. Murray brings over 20 years experience as a recruiter. Mr. Murray is recognized as one of the nation's leading recruiters. He has conducted hundreds of searches for cities, counties, and special districts. He has been called on to conduct searches for some of the largest most complex organizations in the country and some of the smallest. Mr. Murray has conducted searches for chief executives, department heads, professional and technical positions. Mr. Murray has taken the lead on the firm's most difficult assignments with great success. His clients have retained him again and again given the quality of his work and success in finding candidates for difficult to fill positions.

Prior to creating Bob Murray & Associates, Mr. Murray directed the search practice for the largest search practice serving local government in the country. Mr. Murray has worked in local government and benefits from the knowledge of having led an organization. Prior to his career in executive search he served as the City Manager for the City of Olympia, Washington. He has also served as an Assistant City Manager and held positions in law enforcement.

Mr. Murray received his Bachelor's degree in Criminology from the University of California at Berkeley with graduate studies in Public Administration at California State University at Hayward.

REGAN WILLIAMS, VICE PRESIDENT

Mr. Williams brings 30 years of local government experience to Bob Murray and Associates. Most recently, he worked as a private consultant with Deloitte and Touche on various public sector assignments. Prior to that, he served as Director of Public Safety with the City of Sunnyvale, CA.

Mr. Williams was involved in the development of some of Sunnyvale's most innovative programs and has a national reputation for excellence in law enforcement. He has been responsible for numerous recruitments throughout his career. Clients find his insight and expertise in recruitment and selection a valuable asset.

Mr. Williams received his Bachelor's degree in Administration of Justice from San Jose State University. He is also a graduate of the FBI National Academy.

JENNIFER NITRIO, SENIOR CONSULTANT

Ms. Nitrio's diverse background includes extensive industry experience allowing her to successfully complete all aspects of an executive search with Bob Murray & Associates. Since joining Bob Murray & Associates in May 2002, she has worked jointly with Mr. Murray on hundreds of searches.

Ms. Nitrio has extensive experience working with local government administrators and is know for her personal approach to executive search. She works closely with clients and candidates alike to ensure a successful search. Clients express again and again that it is always a positive and refreshing experience to work with Ms. Nitrio.

Ms. Nitrio is very active in the community and serves on the Board of Directors with two local non-profit organizations. Her contributions include forming partnerships with the business community, extensive grant writing, chairing large fundraising efforts, recruiting volunteers and writing articles and reports for the organizations.

Ms. Nitrio received her Bachelor's degree in Ethnic Studies, summa cum laude, from California State University, Sacramento. She is a life member of the Phi Kappa Phi Honor Society and the Golden Key Honor Society.

GRETA LAWSON, SENIOR CONSULTANT

Ms. Lawson actively contributes to Bob Murray and Associates' goal of providing exceptional customer service through close coordination with our clients. She conducts research, recruits candidates, and performs detailed background verifications, including reference checks, on candidates. She also serves as a liaison between candidates and clients in order to ensure an outstanding recruitment process that results in the selection of the clients' chosen candidate(s).

Ms. Lawson is uniquely qualified to assist clients in all aspects of executive recruitment. With several years of industry experience, Ms. Lawson is noted for her customer service skills and follow through with clients and candidates alike.

Ms. Lawson received her Bachelor's Degree in English from California State University, Sacramento and is a life member of the Golden Key Honor Society.

RENEE NARLOCH, SENIOR CONSULTANT

Renee Narloch has extensive experience in public sector recruitments nationwide. She was formerly employed by MAXIMUS as a senior consultant with sole responsibility for executive search efforts in the Southeastern United States. She also worked in the Cost Allocation division providing governmental cost accounting and data management services to the public sector, including Alachua County, Florida.

Ms. Narloch has ten years of experience in Executive Recruitment and has been involved in over 100 national searches. Prior to her recruitment career, she worked for three Fortune 500 companies in their sales, marketing and financial accounting divisions. Ms. Narloch has been responsible for all facets of recruitment including project management, recruiting candidates, conducting preliminary interviews and detailed reference inquires; and assisting clients in final interviews and negotiations. Residing in Florida, Ms. Narloch currently assists Bob Murray & Associates on an as needed basis with recruitments in the mid-west and east coast as well as with outreach efforts on the west coast.

Ms. Narloch received her Bachelors of Arts degree in Information Studies, summa cum laude, at Florida State University.

NICHOLAS AVDIENKO, CONSULTANT

As a consultant with Bob Murray & Associates, Mr. Avdienko is responsible for research, candidate recruitment and screening, as well as reference checks and background verifications. He focuses on client communication and works closely with clients to coordinate candidate outreach and ensure a successful search.

Mr. Avdienko has a strong background in human resources and most recently worked in the private sector as a Human Resources Coordinator. His insight into the recruitment process is a valuable asset to Bob Murray & Associates.

Mr. Avdienko received his Bachelor's Degree in Public Relations from California State University, Long Beach. His holds a Master's Degree in Theater Directing from California State University, Sacramento.

REFERENCES

Clients and candidates are the best testament to our ability to conduct quality searches. Clients for whom Bob Murray and Associates has recently conducted searches are listed below.

CLIENT:

City of Monterey

POSITION:

City Attorney (current), Assistant City Manager (current), and

Police Chief

REFERENCE:

Mr. Fred Muerer, City Manager, (831) 646-3760

CLIENT:

City of Salinas

Position:

City Attorney, Parks and Recreation Director and Fire

Chief

REFERENCE:

Mr. David Mora, City Manager, (831) 758-7201

CLIENT:

City of Newport Beach

POSITION:

City Attorney

REFERENCE:

Mr. Homer Bludau, City Manager, (949) 644-3000

CLIENT:

City of Stockton

POSITION:

City Attorney, City Manager, Deputy City Manager, Library Director, Director of Parks and Recreation, Community Development Director, Deputy Human Resources Director, Administrative Services Officer, Storm Water Program Manager, Deputy Director of Water Resources, Deputy Director of Wastewater, Redevelopment Manager, Program Manager III of Redevelopment, and Deputy Community Development

Director/Building

REFERENCE:

Mr. Mark Lewis, City Manager, (209) 937-8294 or Mr. Ed

Chavez, Mayor, (209) 937-8244

CLIENT:

City of Palo Alto

Position:

City Attorney and Planning and Community Environment

Director

REFERENCE:

Mr. Victor Ojakian, City Council Member, (650) 329-2571 or Mr.

Jay Rounds, former Human Resources Director, (916) 780-3557



CITY COUNCIL STAFF REPORT

MEETING DATE: AUGUST 24, 2005

TITLE: CAPITAL IMPROVEMENT PROGRAM
FUNDING FOR REGIONAL SOCCER COMPLEX

RECOMMENDED ACTION(S):

1) Receive recommendation from the Library, Arts and Culture Commission and letter from Chair Anderson stating that CIP funds designated for assisting construction of a regional soccer complex at Sobrato High School be reallocated to the Library project.

Agenda l	ltem	#	5	
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Prepared By:

Margarita Balagso

Approved By:

Acting Rec.&Comm Svc. Manager

Submitted By:

City Manager

EXECUTIVE SUMMARY:

The City Council designated \$980,000 in the FY2005/2006 Capital Improvement Project (CIP) to assist with the development of a regional soccer complex at Sobrato High School. After the CIP was prepared, the board of the San Jose Soccer Complex Foundation notified the City they were no longer pursuing development of a regional soccer complex at the Sobrato site.

At the Council's June 22, 2005 meeting, the Council agreed to discuss on a future date reprogramming the funds designated for the regional soccer complex.

At the August 1, 2005 Library, Arts and Culture Commission meeting, the Commission unanimously voted to recommend that the funding established for the regional soccer complex be assigned to the Library Project in order to supplement funds allocated for furniture, fixtures, landscaping and art.

FISCAL IMPACT:

Reprogramming funding from the regional soccer complex to the Library would add \$980,000 to that project.

The Council's Community and Economic Development Committee is preparing recommendations on a reallocation of all available remaining Redevelopment Agency Funds.

August 2, 2005

The Honorable Mayor and Council Members City of Morgan Hill 17555 Peak Avenue Morgan Hill, CA 95037

Re:

1) Library Arts & Culture Commission recommends the use of 2005/2006 Capital Improvement Program funds to supplement funds allocated for the new library for furniture and fixtures, landscaping and art.

Dear Mayor and Council Members:

It is the understanding of the Morgan Hill Library, Arts & Culture Commission that \$980,000 in the 2005/2006 Capital Improvement Program that was allocated to the development of a regional soccer complex at Sobrato High School is available for other worthwhile city projects.

At the August 1, 2005 the Morgan Hill Library, Arts & Culture Commission meeting, the Commission unanimously voted to recommend to the City Council that funds recently made available from the Capital Improvement Program be reallocated to the new library. Funds already allocated to the new library for furniture and fixtures, landscaping and art are believed to be insufficient to provide the attractive and patron friendly environment consistent with a new library project. A detailed description of the specific needs is awaiting input from the builder, Morgan Hill City Staff and the library staff. These will be presented when available. We ask that the reallocation of funds process be held off until the building costs for the Indoor Recreation Center and the new library are fully determined.

It is the goal of the Library, Arts & Culture Commission to facilitate providing a new library with the ambience that will enable the City of Morgan Hill and its residents to look with pride when it is completed in 2007. The reallocation of funds will help to achieve this objective.

Sincerely,

Einar Anderson, Chair

Einas anderson

Morgan Hill Library, Arts & Culture Commission



CITY COUNCIL STAFF REPORT MEETING DATE: August 24, 2005

COMMUNITY PARK IMPROVEMENTS- RESOLUTION SUPPORTING A GRANT FUNDING APPLICATION FOR THE PER CAPITA GRANT PROGRAM UNDER THE STATE CLEAN WATER, CLEAN AIR, SAFE NEIGHBORHHOOD PARKS, AND COASTAL PROTECTION ACT OF 2002

RECOMMENDED ACTION(S): Adopt the attached Resolution approving the filing of an application for local assistance funds from the Per Capita Grant Program under the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002.

Prepared By:
Deputy Director of Public Works- Operations
Approved By:
Public Works Director
Submitted By:
City Manager

Agenda Item #6

EXECUTIVE SUMMARY: A Master Plan for 4 phases of Community Park Improvements was approved by Council on August 3, 2005. The 2005-06 Capital Improvement Program calls for \$1.2 million for the first phase of these improvements. Design for the Phase I improvements is to be completed in the current Fiscal Year, construction commenced, and then construction completed in Fiscal Year 2006-07.

The source of the majority of funding for the Phase I Improvements is the Park Development Impact Fund. However, an additional \$230,000 in funding has been identified from Proposition 40 Per Capita Grant Program under the Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002.

It is a requirement of this funding source that Council adopt a Resolution approving the filing of an application, certifying that the city agrees to the General Provisions of the Contract and has sufficient funding for the planned improvements, and appoints a designated position to act as an agent to conduct all negotiations, execute and submit all documents, including applications, pay requests, and other matters necessary for the completion of the project. Staff recommends Council approve the attached Resolution accordingly.

FISCAL IMPACT: The Community Park Improvements Project is identified in the 2005-06 Capital Improvement Program. Funding for this project is from two sources: 1) \$945,000 in Park Impact Fees and 2) Proposition 40 Per Capita California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002.

RESOLUTION NO.

2002 Resources Bond Act

PER CAPITA GRANT PROGRAM

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL, CALIFORNIA, APPROVING THE APPLICANT TO APPLY FOR GRANT FUNDS FOR THE PER CAPITA GRANT PROGRAM UNDER THE CALIFORNIA CLEAN WATER, CLEAN AIR, SAFE NEIGHBORHOOD PARKS, AND COASTAL PROTECTION ACT OF 2002

The City Council of the City of Morgan Hill (hereafter referred to as the "City Council") does resolve as follows:

WHEREAS, the people of the State of California have enacted the Per Capita Grant Program which provides funds for the acquisition and development of neighborhood, community, and regional parks and recreation lands and facilities; and,

WHEREAS, the California Department of Parks and Recreation has been delegated the responsibility for the administration of the grant program, setting up necessary procedures; and,

WHEREAS, said procedures established by the California Department of Parks and Recreation require the Applicant's Governing Body to certify by resolution the approval of the Applicant to apply for the Per Capita Allocation, and

WHEREAS, the Applicant will enter into a Contract with the State of California;

NOW, THEREFORE BE IT RESOLVED, DETERMINED, AND ORDERED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL AS FOLLOWS:

- 1. Approves the filing of an Application for local assistance funds from the Per Capita Grant Program under the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002; and
- 2. Certifies that the Applicant has or will have sufficient funds to operate and maintain the Project(s); and
- 3. Certifies that the Applicant has reviewed, understands and agrees to the General Provisions contained in the Contract shown in the Procedural Guide; and
- 4. Appoints the City Manager as agent to conduct all negotiations, execute and submit all documents including, but not limited to Applications, agreements, payment requests and so on, which may be necessary for the completion of Project(s).

City of Morgan Hill Resolution No. Page 2 of 2

PASSED AND ADOPTED by the City Council of Morgan Hill at a Special Meeting held on the 24th Day of August, 2005 by the following vote.

AYES: COUNCIL MEMBERS: NOES: COUNCIL MEMBERS: ABSTAIN: COUNCIL MEMBERS: COUNCIL MEMBERS:

***** CERTIFICATION *****

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No., adopted by the City Council at a Special Meeting held on August 24, 2005.

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DATE:	
	IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: August 24, 2005

APPROVE WATER METER SOLE SOURCE PURCHASE

RECOMMENDED ACTION(S):

- 1. Approve purchase of water meters, meter parts and MXUs (Radio Transmitters) from Invensys Metering Systems
- 2. Approve purchase order of \$299,300 to Invensys Metering Systems for the annual supply of water meters, meter parts and MXUs

EXECUTIVE SUMMARY: For Fiscal Year 2005-06 it is staff's recommendation to continue the standardized conversion of our water meter reading and reporting system to radio read technology by making the sole

source purchase of both our annual supply of water meters and radio transmitters (MXU's) from Sensus Metering Systems. The financial and practical information provided in the attached January 2005 memorandum remains accurate to date.

The City has now completed a total of 5,400 retrofit water meter conversions to radio read technology. This leaves an additional 6,000 retrofit conversions to be accomplished as our program continues. At a pace of 1000 conversions per year the program will be compete in 2012. For all new development, radio read components are required.

The January 2005 memorandum states that converting our water meter system to radio read technology results in substantial labor time savings. As an example of this savings, the labor time needed to read the water meters in the hillside areas of Jackson Oaks and Woodland has been reduced from 1 week for 2 meter readers to 3 hours for 1 meter reader. This has allowed for increasing maintenance of several other parts of our water system, IE: water valve exercising, fire hydrant maintenance, and meter testing and calibration. With specific regard to water meter testing and calibration, the continued labor time savings resulting from the completion of additional radio read retrofit conversions may help us meet our needs for labor to support our water meter change out program. This program evaluates the accuracy of existing water meters in service thus insuring accurate revenue collection for supply of water and water services to the City's residents.

Section 3.04.120 of the Municipal Code allows the City to purchase brand names or equal specifications when the "Purchasing Officer determines that the use of brand name or equal specification is in the City's best interests". In addition, Section 3.04.150 of the Municipal Code provides that the City Council may approve a purchase where the "Purchasing Officer determines that there is only one source to the required supply or service". The Finance Director has made the above two determinations. Staff recommends continuing to standardize our water meter reading system by continuing to purchase Invensys' meters and radio read component parts.

FISCAL IMPACT: This purchase is budgeted in the FY 2005-06 Meter Division (650.5720.43897).

Agenda Item # 7

Prepared By:

Deputy Director Public Works/Operations

Approved By:

Department Director

Submitted By:

City Manager



ACCEPTANCE OF SUBDIVISION IMPROVEMENTS FOR TRACT 9396, COYOTE CREEK ESTATES

RECOMMENDED ACTION(S):

- 1. Adopt the attached resolution accepting the subdivision improvements included in Tract 9396, commonly known as Coyote Creek Estates.
- 2. Direct the City Clerk to file a Notice of Completion with the County Recorder's office.

Agenda Item #8 Prepared By: Senior Engineer Approved By: Public Works Director Submitted By: City Manager

EXECUTIVE SUMMARY:

Tract 9396 is a 15 lot subdivision located on the west side of Malaguerra Avenue between Silverwings Court and Sullivan Court (see attached location map). The subdivision improvements have been completed in accordance with the requirements of the Subdivision Improvement Agreement between the City of Morgan Hill and 5M Development LLC, dated January 28, 2003 and as specifically set forth in the plans and specifications approved by the City.

The streets to be accepted are:

Street Name Street Length

Kickapoo Court 0.17 miles

FISCAL IMPACT: Staff time for this project was paid for by development fees.

Record at the request of and when recorded mail to:

CITY OF MORGAN HILL CITY CLERK 17555 Peak Avenue Morgan Hill, CA 95037

RECORD AT NO FEE PURSUANT TO GOVERNMENT CODE SECTION 27383

NOTICE OF COMPLETION

CITY OF MORGAN HILL

TRACT 9396, COYOTE CREEK ESTATES

NOTICE IS HEREBY GIVEN, pursuant to Section 3093 of the Civil Code of the State of California, that the Director of Public Works of the City of Morgan Hill, California, signed below, represents the City of Morgan Hill as the owner of the public improvements for the above named development. Said improvements were substantially completed on August 4, 2005, by 5M Development LLC, the subdivider of record and accepted by the City Council on August 24, 2005. Said improvements consisted of public streets, utilities and appurtenances.

The name of the surety on the contractor's bond for labor and materials on said project is American Motorists Insurance Company.

Name and address of Owner:	City of Morgan Hill 17555 Peak Avenue Morgan Hill, California	
Dated:,	2005.	
	Jim Asl	ncraft, Director of Public Works
I certify	under penalty of perjury that	the foregoing is true and correct.

Irma Torrez, City Clerk City of Morgan Hill, CA Date:

RESOLUTION NO.

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ACCEPTING THE SUBDIVISION IMPROVEMENTS FOR TRACT 9396, COYOTE CREEK ESTATES

WHEREAS, the owner of Tract 9396, designated as Coyote Creek Estates, entered into a Subdivision Improvement Agreement on January 28, 2003; and

WHEREAS, Jim Ashcraft, City Engineer, has certified in writing to the City Council that all of said improvements have been installed according to the City specifications and plans for said subdivision.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL, CALIFORNIA, AS FOLLOWS:

- 1. The City Council hereby finds and determines that all public improvements required to be constructed pursuant to the above-mentioned Subdivision Improvement Agreement have been completed in accordance with the plans and specifications for said improvements.
- 2. This resolution shall constitute an interim acceptance of all said public improvements and the date of its passage shall constitute the starting day for computing the one year maintenance provisions referred to in Paragraph 10 of the Subdivision Improvement Agreement of January 28, 2003.
- 3. The City Clerk, following adoption of this resolution, will file with the Recorder of Santa Clara County, California a Notice of Completion of the subdivision public improvements.
- 4. If requested by the developer or subdivider, the City Clerk hereby is authorized to record a certified copy of this resolution with the Recorder of Santa Clara County, California.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Special Meeting held on the 24th Day of August, 2005 by the following vote.

AYES: COUNCIL MEMBERS: NOES: COUNCIL MEMBERS: ABSTAIN: COUNCIL MEMBERS: COUNCIL MEMBERS:

♥ CERTIFICATION **♥**

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No., adopted by the City Council at a Special Meeting held on August 24, 2005.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE:	
	IRMA TORREZ, City Clerk



REIMBURSEMENT FOR PUBLIC IMPROVEMENTS BY COYOTE CREEK ESTATES (TRACT 9396)

RECOMMENDED ACTION:

- 1. Approve appropriation of \$59,066 from current year unappropriated Public Facility/Non-AB1600 (346) Fund to fund this reimbursement.
- 2. Authorize reimbursement of \$59,066 for installation of off-site improvements by 5M Development LLC

Agenda Item # 9

Prepared By:

Senior Civil Engineer

Approved By:

Public Works Director

Submitted By:

City Manager

EXECUTIVE SUMMARY: 5M Development LLC, is the developer of Coyote Creek Estates, a 15 lot subdivision located on the west side of Malaguerra Avenue between Silverwings Court and Sullivan Court (see attached location map). To meet their Measure P commitments, the developer agreed to install a pedestrian pathway on the westerly side of Malaguerra Avenue from Sullivan Court to Cochrane Road. In an effort to enhance pedestrian safety and improve drainage in the area, city staff asked the developer to modify the pathway design to include city standard curb, gutter and sidewalk. The revised plans provide for the eventual installation of full improvements on the westerly side of Malaguerra Avenue from Sullivan Court to Cochrane Road, a distance of approximately 600 feet. SCVWD approval and extensive environmental review is needed to install the easterly 390 feet of these improvements, therefore, only 210 feet of improvements were installed at this time. The developer's financial commitment toward the pedestrian pathway is \$29,966. The cost to install full improvements on Malaguerra Avenue for approximately 210 feet is \$89,032. Therefore, the developer is requesting reimbursement in the amount of \$59,066.

It is recommended that the City fund this reimbursement using Measure P CIP funds which accrue to the Public Facility/Non-AB1600 (346) Fund.

Staff recommends that the City approve the developer's reimbursement request since the scope of work exceeds the developer's financial obligation for this Measure P commitment.

FISCAL IMPACT: \$59,066 appropriated from our unappropriated Public Facility/Non-AB1600 Fund balance. Sufficient funds exist in the City's 346 Fund balance to provide the requested reimbursement.



PUBLIC WORKS MAINTENANCE AGREEMENT FOR EMERGENCY PUMP MAINTENANCE AND REPAIRS FOR BOOSTER STATIONS FOR FY 2005/2007

RECOMMENDED ACTION(S):

- 1. Approve new maintenance agreement for emergency pump maintenance and repairs for booster stations.
- 2. Authorize the City Manager to execute the agreement on behalf of the City.

Agenda Item # 10

Prepared By:

Management Analyst
Approved By:

Department Director
Submitted By:

City Manager

EXECUTIVE SUMMARY: A Request for Proposal process was held in order to award a new agreement for maintenance services of the City's booster stations. The current agreement ended on June 30, 2005. The proposals received were from the companies listed below:

Maier & Dougherty Pump Service Salinas Pump Company

Maier & Dougherty Pump Service provided the lowest hourly rates as well as a lower hour response time. Staff recommends approval of the attached agreement at \$30,000 per year for two years based upon the rates and response time submitted.

FISCAL IMPACT: Funding exists for this agreement in the FY 2005/06 Water Division budget.



ACCEPTANCE OF THE SCADA TELEMETRY REPLACEMENT PROJECT

RECOMMENDED ACTION(S):

- 1. Accept as complete the SCADA Telemetry Replacement Project (PN 606093) in the final amount of \$ 994,898.
- 2. Direct the City Clerk to file the attached Notice of Completion with the County Recorder's office.

Agenda Item # 11	
Prepared By:	
Contract Project Manager	
Approved By:	
Public Works Director	r
Submitted By:	

City Manager

EXECUTIVE SUMMARY: The contract for the SCADA Telemetry Replacement Project was awarded to Tesco Controls, Inc. by the City Council at their June 18, 2003 meeting in the amount of \$1,248,845. The Council also authorized Change Order #1 for a deduct of \$330,555, for an initial project cost of \$918,290. The project resulted in construction of the City of Morgan Hill's new Supervisory Control and Data Acquisition (SCADA) system, which operates all the City's wells, booster stations, tanks and lift stations by computer and radio system.

Five subsequent contract change orders were issued for a total of \$76,609 (8.3 % over the initial contract amount). The final contract amount with Tesco Controls, Inc. is \$994,898. The project is now substantially complete. The City has received a one-year Warranty Bond for \$497,449, which will commence with Council acceptance of the project and release of the Payment and Performance Bonds.

FISCAL IMPACT: The project was completed within the funding authorization of the City Council. No additional funding is required. Filing of the Notice of Completion will allow release of retention for \$99,489 and the Payment and Performance Bonds, in accordance with state law.

Record at the request of, and when recorded mail to:

CITY OF MORGAN HILL CITY CLERK 17555 Peak Avenue Morgan Hill, CA 95037

RECORD AT NO FEE PURSUANT TO GOVERNMENT CODE SECTION 27383

NOTICE OF COMPLETION CITY OF MORGAN HILL SCADA TELEMETRY REPLACEMENT PROJECT

NOTICE IS HEREBY GIVEN, pursuant to Section 3093 of the Civil Code of the State of California, that the Director of Public Works of the City of Morgan Hill, California, on the 25th day of March, 2003, did file with the City Clerk of said City, the contract for performing work which was heretofore awarded to Tesco Controls, Inc. on June 18, 2003, in accordance with the plans and specifications for said work filed with the City Clerk and approved by the City Council of said City.

That said improvements were substantially completed on August 24, 2005, accepted by the City Council on August 24, 2005, and that the name of the surety on the contractor's bond for labor and materials on said project is Gulf Insurance Company.

That said improvements consisted of the construction and installation of all items of work provided to be done in said contract, all as more particularly described in the plans and specifications therefore approved by the City Council of said City.

Name and address of Owner:	City of Morgan Hill 17555 Peak Avenue Morgan Hill, California
Dated:, 2004.	
I certify under	Jim Ashcraft, Director of Public Works penalty of perjury that the foregoing is true and correct.
	Irma Torrez, City Clerk City of Morgan Hill, CA Date:



MEMBERSHIP IN SILICON VALLEY HIGH-SPEED RAIL COALITION

RECOMMENDED ACTION: The Regional Planning and Transportation Council Sub-committee recommends the City joining the Silicon Valley High-Speed Rail Coalition and authorization of the Mayor to Support the Silicon Valley High-Speed Rail Coalition.

Agenda Item # 12
Prepared By:
Deputy Director PW
Approved By:
Department Director
Submitted By:

City Manager

EXECUTIVE SUMMARY: The Silicon Valley High-Speed Rail

Coalition ("Coalition") supports the construction of a high-speed rail line connecting northern and southern California with an alignment that traverses Pacheco Pass and connects to the Bay area via Gilroy and Morgan Hill. The Coalition is made up of elected officials and various agencies and organizations primarily in Santa Clara County who share a common vision for the high-speed rail service. The City has been invited to join by the Silicon Valley Leadership Group, one of the Coalition's primary advocates. The Guiding Principles of the Coalition are attached for the Council's information.

As currently envisioned, the high-speed rail line would run from the southern California area up through the central valley and connect to Sacramento and the Bay Area. The California High Speed Rail Authority, the body charged with the planning, designing, and operating a state of the art high-speed train system, is also considering routes entering the Bay area north of San Jose. The Coalition opposes any route other than Pacheco Pass. More information on the potential routes can be found on the California High Speed Rail Authority's website.

At its September 3, 2003 meeting, the City Council adopted Resolution No. 5715 opposing any high-speed rail route that would pass through Henry Coe State Park. Then, on May 19, 2004, the Council adopted Resolution No. 5791 supporting the California High-Speed Rail Authority's conclusion to use one of the two southern alignments (Pacheco Pass or Diablo Range) into the San Francisco Bay area for the State's proposed high-speed rail system. By joining the Coalition, the Council reaffirms its support for a southern alignment into the Bay area.

At its August 12, 2005 meeting, the City Council's subcommittee on Regional Planning and Transportation recommended that the City join the Coalition. The Coalition has a Sign-On Form that is used to officially join the coalition. If approved, the Mayor will sign the form, attached.

In addition to recommending the City's support for joining, it is also recommended that the Council authorize the Mayor, as its representative to the Santa Clara County Cities Association, to support that organization's participation in the Coalition.

FISCAL IMPACT: There is no fiscal impact with this action.



APPROVAL OF IMPROVEMENT AGREEMENT FOR LUSAMERICA

RECOMMENDED ACTION: Approve the attached Improvement Agreement and authorize the City Manager to sign the agreement of behalf of the City with Frederico Enterprises I, LLC.

Agenda Item # 13
Prepared By:
Senior Civil Engineer
Approved By:
Public Works Director Submitted By:
City Manager

EXECUTIVE SUMMARY:

This agreement is to guarantee the construction of off-site improvements for the Lusamerica Fish Distribution Facility at 16480 Railroad Avenue. (See attached location map.) The public improvements are required per section 12.02.050 of the Municipal Code. The estimated construction cost of the public improvements is \$387,327. The public improvements include the extension of a 16 inch water main and 42 inch storm drain pipe in Barrett Avenue. Costs associated with the installation of these specific improvements shall be reimbursed by the City via a reimbursement agreement. The reimbursement agreement shall be forwarded to the City Council for approval upon receipt of construction costs from the developer.

The project will remodel and expand the old Napa Auto Parts Warehouse, add parking and a new drive approach off Barrett Avenue. In accordance with City Code, since the project does not expand the previous use relative to Railroad Avenue, full street improvements including the undergrounding of overhead utilities is only required for the Barrett Avenue frontage of the property at this time.

The applicant has furnished the City with the necessary documents and has made provision with the City to provide the necessary security guaranteeing the completion of public improvements prior to the issuance of the building permit. Staff recommends that City Council approve the attached Improvement Agreement and authorize the City Manager to sign on behalf of the City.

FISCAL IMPACT:

Development review for this project is paid for from development processing fees.

RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO:

CITY OF MORGAN HILL 17555 PEAK AVENUE MORGAN HILL, CA 95037

(RECORD AT NO FEE PURSUANT TO GOVERNMENT THE AREA ABOVE IS RESERVED FOR RECORDER'S USE CODE SECTION 27383)

IMPROVEMENT AGREEMENT

PROPERTY OWNER – FEDERICO ENTERPRISES I, LLC
PROPERTY ADDRESS – 16480 RAILROAD AVENUE
APN# 817-58-001
PROJECT NAME – LUSAMERICA FISH DISTRIBUTION FACILITY

THIS AGREEMENT is made on this _____ day of _____, 2005, by the CITY OF MORGAN HILL, a municipal corporation ("CITY"), and Frederico Enterprises I, LLC, a California limited liability company ("PROPERTY OWNERS").

RECITALS

The following recitals are a substantive part of this Agreement:

- 1. This Agreement is entered into pursuant to Morgan Hill Municipal Code Chapter 12.02.
- 2. PROPERTY OWNER has filed a Development Application and supporting documents on the property with the address of 16480 Railroad Avenue and the APN# 817-58-001 having the development name of Lusamerica Fish Distribution Facility.
- 3. CITY desires as a condition of approval of the development as denoted on the building permit for the development, that certain improvements be installed by PROPERTY OWNER as shown on the fully executed Development Improvement Plans entitled Improvement Plans for Lusamerica Foods, Inc.
- 4. PROPERTY OWNER has been unable to complete, prior to the issuance of the development building permit, all of the improvements required by CITY to the satisfaction of the City Engineer.
- 5. PROPERTY OWNER is required by the terms of the Morgan Hill Municipal Code, to improve streets, highways, or public areas which are part of the development, including but not limited to necessary paving, curbs, sidewalks, catch basins, water mains, culverts, storm drains, and sanitary sewers, in accordance with the plans and specifications on file with the City Engineer.
- 6. To assure CITY that PROPERTY OWNER will complete all the work required for the Development, the parties have entered into this Agreement.

AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

- 1. <u>Term of Agreement</u>. This Agreement shall cover a period of six (6) months from the date of issuance of the building permit. Work shall be completed within six (6) months of the date of such approval, unless this time is extended pursuant to the terms of this Agreement.
- 2. <u>Improvements</u>. PROPERTY OWNER agrees to follow the plans and documents filed with CITY in conjunction with the Development, all of which are incorporated herein by reference. These items will be completed, constructed and installed at PROPERTY OWNER's sole expense unless agreed to otherwise by City.
- 3. **Bond List**. To secure the performance of each improvement required under this Agreement and to ensure full payment to all persons furnishing or supplying labor or materials for each improvement required, PROPERTY OWNER shall provide CITY, prior to the execution of this Agreement by CITY, with the following bonds pursuant to Bond requirements denoted in Paragraph 7:

Type of Bond	<u>Amount</u>
Labor and Material Bond	\$387, 327
Performance Bond	\$387, 327
Maintenance Bond	\$193,664

Note: If a letter of credit is utilized for bonding purposes, the PROPERTY OWNER shall furnish an Irrevocable Standby Letter of Credit with a lender acceptable to the CITY payable to the CITY on account of PROPERTY OWNER in the amount of Six Hundred Fifty Eight Thousand Four Hundred Fifty Six Dollars (\$658,456) to guarantee the proper installation of off-site improvements required by this Improvement Agreement between the City and the PROPERTY OWNER. The foregoing amount shall be available for payment by the lender to the CITY in the form of immediately available funds upon receipt of the sight drafts accompanied by the following written statement signed by an authorized officer of the CITY:

"The amount of our drawing. [\$_____], under Bank Letter of Credit No. _____ represents monies due and payable to the City of Morgan Hill by Frederico Enterprises I, LLC pursuant to the Improvement Agreement in effect between said parties."

4. <u>Rights-of-Way</u>. Except as otherwise provided by this Agreement, CITY can hold without acceptance or recordation all lands, rights-of-way, and easements offered for dedication. All such offers shall, however, remain open, and shall constitute irrevocable offers of dedication in accordance with the Government Code. All such offers may be accepted and recorded by CITY in its sole discretion at any later date without further notice to PROPERTY OWNER as provided by law. By way of explanation only, it is the current intention of CITY to accept all or part of the irrevocable offers to dedicate upon acceptance of the improvements called for in this Agreement.

- 5. **Improvements:** Time Limits. PROPERTY OWNER agrees to cause all improvements to be made and constructed in the Development and to comply with all requirements of City Code 12.02, according to the improvement plans for the Development approved by the City Engineer and including any changes or alteration in the work ("the Work") reasonably required by the City Engineer. The Work shall be completed utilizing CITY standards and specifications. PROPERTY OWNER agrees to complete the Work on or before six (6) months from the date of issuance of the building permit; however, the City Manager of CITY is hereby authorized to extend the time within which the Work shall be completed for additional periods not to exceed three (3) months each, or a maximum of six (6) months, at his sole discretion, if he is of the opinion that granting the extension will not be detrimental to the public welfare. No extension shall be made except upon the basis of a written application made by PROPERTY OWNER stating fully the grounds of the application and the facts relied upon for an extension. In the event that PROPERTY OWNER shall fail to complete the Work within the time provided by this Agreement, CITY may in its sole discretion and in addition to any other remedy provided in this Agreement or by law, enter upon the Development and complete the Work and recover the full cost and expense of construction from PROPERTY OWNER, PROPERTY OWNER'S successors and assigns, Property Owner's Performance/Labor & Material Bonds associated with this Development, or from the then owner of the Development and/or place a lien upon the Development property for the cost and expense. Any and all City costs shall include administrative and attorney costs.
- 6. Acquisition and Dedication of Easements or Rights-of-Way. If any of the Work is to be constructed or installed on land not within the Development or already existing public right-of-way, no construction or installation shall be commenced before the irrevocable offer of dedication or conveyance to CITY of appropriate rights-of-way, easements or other interest in real property, and appropriate authorization from the property owner to allow construction or installation of the improvements or work has been obtained and paid for by PROPERTY OWNER.
- Bond Requirements. PROPERTY OWNER shall file with this Agreement three bonds. Two of the bonds shall be in the amount of 100% of the total estimated cost of the Work as determined by the City Engineer. One improvement security shall secure faithful performance of this Agreement as required by Government Code Section 66499.3(a) for performance. The second security is required by Government Code Section 66499.3(b) for labor and materials. An additional guarantee and warranty security of fifty (50%) percent of the City Engineer's estimated cost of the Work to guarantee and warranty the Work for a period of one year following its completion and acceptance against any defective work or labor done, or defective materials furnished, as required by Government Code. Any bonds submitted under this Agreement shall be executed by a surety company authorized to transact a surety business in the State of California. All required securities shall be in a form approved by the City Attorney. Submittal of the Performance/Labor & Material Bonds is a requirement prior to the City's right-of-way. Submittal of the Warranty Bond is a requirement prior to the City Engineer's consideration of acceptance of the public improvements.
- 8. <u>Irrevocability of Security</u>. The securities provided under this Agreement shall be irrevocable, shall not be limited as to time and may be released only upon the written approval of the City Engineer.
- 9. <u>Duty to Warn</u>. PROPERTY OWNER shall give adequate warning to the public of each and every dangerous condition which may exist in the Work, and will take all reasonable actions to protect the public from any dangerous condition.

- 10. <u>Warranty</u>. PROPERTY OWNER guarantees and warrants the Work required by this Agreement and agrees to remedy any defects in the improvements or the Work arising from faulty or defective materials or construction occurring within twelve (12) months after its acceptance. Following notice Property OWNER shall, without delay or cost to CITY, repair, replace, or reconstruct any defective or unsatisfactory portion of Work. CITY may, at its sole option, perform the repair or replacement itself if PROPERTY OWNER has failed to commence repair within twenty (20) days after CITY has mailed written notice to PROPERTY OWNER. In such event, PROPERTY OWNER agrees to pay the cost of repair and replacement, plus 15%, by CITY; and CITY may recover such costs as a lien against the Development. CITY may proceed immediately to make repairs should an emergency arise.
- 11. <u>Failure of Performance</u>. In addition to the other remedies provided by this Agreement, CITY shall have recourse to the security given. In the event that CITY seeks recourse against any security, CITY shall have recourse against PROPERTY OWNER for any and all amounts necessary to complete the obligation. All administrative costs, including attorneys' fees shall be a proper charge against the security and PROPERTY OWNER pursuant to Government Code.
- 12. <u>Certificate of Occupancy</u>. PROPERTY OWNER understands that the City will expect completion, to the satisfaction of the City, of specific public improvements as well as private utility improvements prior to City Approval of a Certificate of Occupancy for any building on the Development property. The specific improvements shall include, as applicable, activation of all public utilities (water, sewer, storm drain), activation of all private utilities (electric, gas, phone) except for cable, street lights turn-on request filed with P G & E, full street improvements (curb-gutter and paving with/without final lift) from existing public street to building under consideration for Certificate of Occupancy. Property Owner, furthermore, agrees to so inform successor in lot interest should lot be transferred to another party prior to City acceptance of public improvements.
- 13. **Final Toxic Report**. Where applicable, PROPERTY OWNER hereby agrees to furnish the City Attorney of Morgan Hill with a copy of the Final Toxic Report issued by the appropriate licensed consultant on the proposed Development. This report must be received prior to final acceptance of on-site improvements and issuance of certificate of occupancy.
- 14. **Public Works Fee Schedule**. PROPERTY OWNER shall pay the following sums in cash to CITY pursuant to the provisions of Resolution 1383 and any amendments. These sums shall be paid to CITY at the time of issuance of the building permit, and shall be in accordance with the attached Department of Public Works Fee Schedule attached hereto demonstrating a current Total Fee Obligation of \$ to be determined. All Fees are estimated and may be increased by City subject to current resolutions and ordinances. These fees are subject to a minimum annual revision. PROPERTY OWNER consents to increases in these fees. This Agreement shall not be construed to fix or freeze fees as of any point prior to issuance of building permits.

All development fees shall be those in effect at the time of the issuance of the building permit for this Development. This Agreement does not entitle the developer to any permit including a grading permit. A separate application for a grading permit should be made to the Building Department.

- 15. Other Agreements Associated with This Improvement Agreement: The following "checked off" Agreements are understood to be associated with this Agreement and have been fully executed prior to or concurrent with this Agreement:
- [] City "Streets" Reimbursement Agreement (City Ordinance 982)

PROPERTY OWNER acknowledges and agrees that the property is subject to a Reimbursement Agreement whereby the PROPERTY OWNER must reimburse CITY for all costs associated with off-site improvements completed by the CITY and/or others or to be completed by the CITY and/or others. PROPERTY OWNER agrees to pay CITY for all sums already incurred under the reimbursement agreement prior to issuance of any building permits. If the improvement has not been completed by CITY and/or others, then PROPERTY OWNER or successor-in-interest agrees to fully reimburse CITY for all costs incurred by CITY and/or others in constructing the improvements.

]	City Public/Private Utility Reimbursement Agreement
]	Landscape & Lighting Maintenance Assessment District Annexation
1	Improvements Deferral Agreement

16. <u>Insurance Requirements</u>.

- Commencement of Work. PROPERTY OWNER is required to obtain CITY approved 16.1 insurance prior to submittal of the Development building permit for City consideration.. All insurance required by this Agreement shall be carried only by responsible insurance companies licensed to do business in California and shall name CITY, its elected officials, officers, employees, agents and representatives, as an additional insured. All policies shall contain language to the effect that: (1) the insurer waives the right of subrogation against CITY and CITY'S elected officials, officers, employees, agents, and representatives; (2) insurance shall be primary noncontributing and any other insurance carried by the CITY shall be excess over such insurance, and (3) policies shall provide that it shall not be cancelled or materially changed except after thirty (30) days' notice by the insurer to CITY by certified mail. PROPERTY OWNER shall furnish CITY with copies of all such policies or certificates promptly upon receipt. Submittal of the appropriate insurance is a requirement prior to the City's issuance of the Development building permit. It is the responsibility of PROPERTY OWNER to verify that all agents, including general and sub-contractors working on the project, have the minimum insurance coverages required by CITY. Any work performed within the City's right-of-way requires an encroachment permit. Prior to acquiring a permit, the applicant will be required to furnish proof of insurance coverage.
- 16.2 <u>Workers Compensation Insurance</u>. PROPERTY OWNER and all subcontractors shall maintain Worker's Compensation Insurance, if applicable.
- 16.3 <u>Insurance Amounts.</u> PROPERTY OWNER shall maintain comprehensive, broad form, general public liability and automobile insurance against claims and liabilities for personal injury, death, or property damage, providing protection of at least \$1,000,000 for bodily injury or death to any one person for any one accident or occurrence and at least \$1,000,000 for property damage.
- 16.4 <u>Acceptability of Insurers</u>. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII.

- 16.5 The obligations of SUBDIVIDER set forth in this new Paragraph 16 may be performed by the SUBDIVIDER's general contractor for the project which is the subject matter of this Agreement. SUBDIVIDER agrees and warrants that should contractor fail to perform such obligations to CITY requirements, SUBDIVIDER shall immediately, and without cessation of insurance coverage or diminution of insurance coverage levels, provide substitute insurance in accordance with the requirements of this paragraph and the CITY. These obligations are non-assignable other than to the general contractor. This clause shall not create any third-party beneficiary rights under this Agreement on behalf of contractor, or any other third-party.
- 17. **Non-Liability of Officials and Employees of the CITY**. No official or employee of CITY shall be personally liable for any default or liability under this Agreement.
- 18. **Non-Discrimination**. PROPERTY OWNER covenants there shall be no discrimination based upon race, color, creed, religion, gender, marital status, age, disability, national origin, or ancestry, in any activity pursuant to this Agreement.
- 19. <u>Independent Contractor</u>. It is agreed to that PROPERTY OWNER shall act and be an independent contractor, and not an agent or employee of CITY.
- 20. <u>Compliance with Law</u>. PROPERTY OWNER shall comply with all applicable laws, ordinances, codes, and regulations of the federal, state, and local government.
- 21. <u>Right to Inspect and Inspection Fees</u>. PROPERTY OWNER shall at all times maintain proper facilities and provide safe access for inspection for CITY and its employees to all parts of the Work. PROPERTY OWNER shall pay and reimburse CITY for all expenses incurred by CITY for inspecting and checking all work to be performed under the provisions of the Municipal Code or this Agreement. City Engineering plan checking and field improvement inspection costs are included in the Department of Public Works Fee Schedule which may be revised from time to time.
- 22. <u>Conflict of Interest and Reporting</u>. PROPERTY OWNER shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this Agreement.
- 23. <u>Notices</u>. All notices shall be personally delivered or mailed, via first class mail to the below listed addresses. These addresses shall be used for delivery of service of process. Notices shall be effective five (5) days after date of mailing, or upon date of personal delivery.
 - a. Address of PROPERTY OWNER is as follows: Fernando Frederico, Manager Frederico Enterprises I, LLC Gilroy, CA 95020

b. Address of CITY is as follows: With a copy to:

Public Works Director City Clerk
City of Morgan Hill City of Morgan Hill
17555 Peak Avenue 17555 Peak Avenue
Morgan Hill, CA 95037 Morgan Hill, CA 95037

- 24. **PROPERTY OWNER'S Representations**. This Agreement shall include PROPERTY OWNER'S map, application or items submitted to the Planning Department, Planning Commission, and City Council. In the event of any inconsistency between their representations and this Agreement, this Agreement shall govern.
- 25. <u>Licenses, Permits and Fees</u>. PROPERTY OWNER shall obtain a **City of Morgan Hill Business License**, all permits, and licenses as may be required by this Agreement.
- 26. <u>Familiarity with Work</u>. By executing this Agreement, PROPERTY OWNER warrants that: (1) it has investigated the work to be performed, (2) it has investigated the site of the Work and is aware of all conditions there; and (3) it understands the difficulties, and restrictions of the Work under this Agreement. Should PROPERTY OWNER discover any conditions materially differing from those inherent in the Work or as represented by CITY, it shall immediately inform CITY and shall not proceed, except at PROPERTY OWNER'S risk, until written instructions are received from CITY.
- 27. <u>Time of Essence</u>. Time is of the essence in the performance of this Agreement.
- 28. <u>Limitations Upon Subcontracting and Assignment</u>. Neither this Agreement or any portion shall be assigned by PROPERTY OWNER without prior written consent of CITY.
- 29. <u>Authority to Execute</u>. The persons executing this Agreement on behalf of the parties warrant that they are duly authorized to execute this Agreement.
- 30. <u>Indemnification</u>. PROPERTY OWNER agrees to protect, and hold harmless CITY and its elective or appointive boards, officers, agents, and employees from any and all claims, liabilities, expenses, or damages of any nature, including attorneys' fees, for injury or death of any person, or damage to property, or interference with use of property, arising out of, or in any way connected with performance of the Agreement by PROPERTY OWNER, PROPERTY OWNER'S agents, officers, employees, subcontractors, or independent contractors hired by PROPERTY OWNER. The only exception to PROPERTY OWNER'S responsibility to protect, defend, and hold harmless CITY, is due to the sole negligence of CITY. This hold harmless agreement shall apply to all liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation upon the amount of indemnification to be provided by PROPERTY OWNER.
- 31. <u>Modification</u>. This Agreement constitutes the entire agreement between the parties and supersedes any previous agreements, oral or written. This Agreement may be modified on provisions waived only by subsequent mutual written agreement executed by CITY and PROPERTY OWNER.
- 32. <u>California Law</u>. This Agreement shall be construed in accordance with the laws of the State of California. Any action commenced about this Agreement shall be filed in the central branch of the Santa Clara County Superior Court.
- 33. <u>Interpretation</u>. This Agreement shall be interpreted as though prepared by both parties.
- 34. Preservation of Agreement. Should any provision of this Agreement be found invalid or

unenforceable, the decision shall affect only the provision interpreted, and all remaining provisions shall remain enforceable.

- 35. <u>Agreement Runs With the Land</u>. This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the parties. It shall be recorded in the Office of the Recorder of Santa Clara County concurrently with the issuance of the Development building permit and shall constitute a covenant running with the land and an equitable servitude upon the Development real property.
- 36. **Recording**. It shall be the responsibility of CITY to cause the executed Agreement to be recorded.

IN WITNESS THEREOF, these parties have executed this Agreement on the day and year shown below.

CITY OF MORGAN HILL	"PROPERTY OWNERS" Frederico Enterprises I, LLC
By: J. Edward Tewes, City Manager	By: Fernando Frederico, Manager
Date:	Date:
ATTEST:	APPROVED AS TO FORM:
	JORGENSON, SIEGEL, McCLURE & FLEGEL, LLP
Irma Torrez, City Clerk	Interim City Attorney
Date:	Date:
	By: Jack Dilles, Risk Manager
	Date:



CITY COUNCIL STAFF REPORT MEETING DATE: AUGUST 24, 2005

AWARD MONTEREY ROAD BIKE DETECTION INSTALLATION PROJECT

RECOMMENDED ACTION(S):

- 1. Award contract to Beltramo Electric, Inc. for the installation of the Monterey Road Bicycle Detection Project in the amount of \$36,455.
- 2. Authorize expenditure of construction contingency funds not to exceed \$3,645.

Agenda Item # 14
Prepared By:
Junior Engineer
Approved By:
Public Works Director
Submitted By:
City Manager

EXECUTIVE SUMMARY:

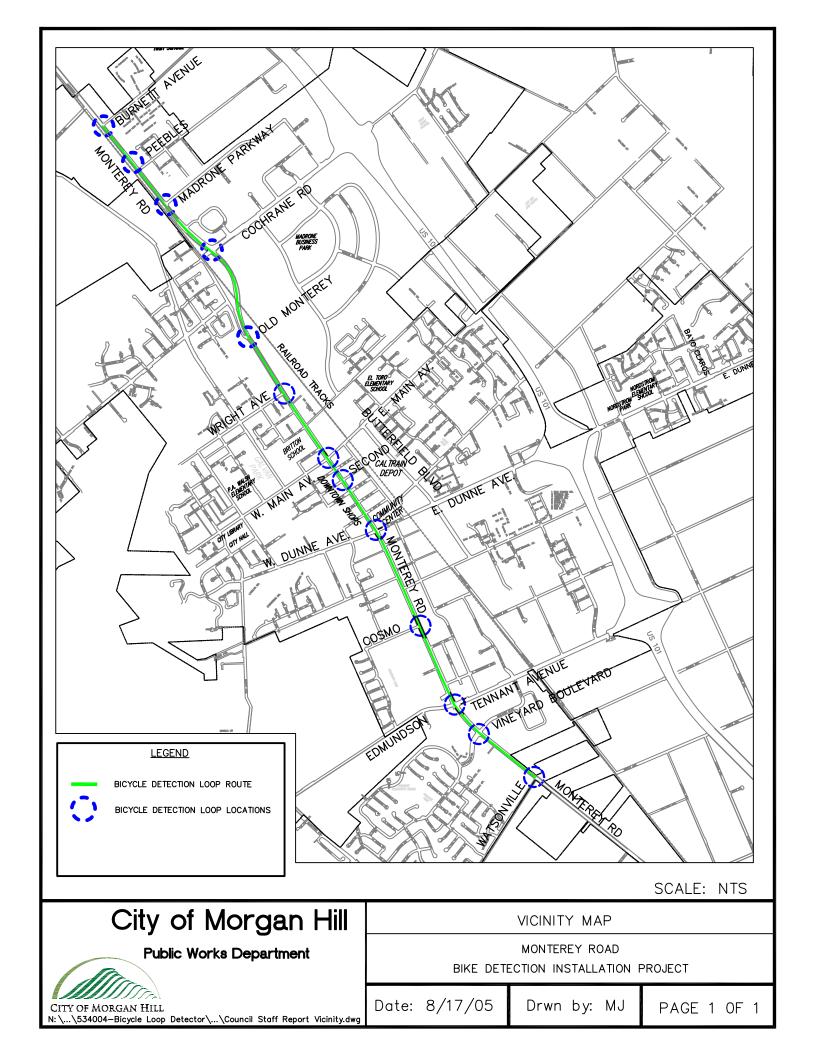
The scope of work for this project includes replacing existing or adding new detector loops with bicycle sensitive detector loops at signalized intersections along Monterey Road, between Watsonville Road and Burnett Avenue. In addition, loop detector pavement markings will be installed where appropriate.

The bid opening was held on August 9th, 2005 and the bid received is listed below. Staff recommends award of the contract to Beltramo Electric, Inc. This project is scheduled to begin construction in late September 2005 and be completed by November 2005. Beltramo Electric's bid was 24% higher than the engineer's estimate of \$29,350. The City received \$36,000 from the Metropolitan Transportation Commission's Transportation Development Act (TDA Article 3) grant program, FY 2004-2005.

Beltramo Electric, Inc.

\$36,455

FISCAL IMPACT: The total construction cost for this project is \$40,100.50, which includes a 10% contingency of \$3,645. The project is a carry-over from 04/05 budgeted under CIP# 534004, \$42,000 (202-TDA ARTICLE 3) and \$10,000 (309-Traffic Impact Fees) for a total of \$52,000.





SECOND AMENDMENT TO AGREEMENT WITH THE LAW FIRM OF JORGENSON, SIEGEL, McCLURE & FLEGEL, LLP

Agenda Item # 15
Prepared By:
(Title)
Submitted By:
City Manager

RECOMMENDED ACTIONS:

Authorize the City Manager to execute a Second Amended Agreement with the law firm of Jorgenson, Siegel, McClure & Flegel, LLP.

EXECUTIVE SUMMARY:

On February 24, 2005, the City entered into an agreement with the law firm of Jorgenson, Siegel, McClure & Flegel, LLP, in the amount of \$20,000 to provide general legal services. Said services include matters relating to the city's Below Market Rate Housing Program, land use issues, tort litigation and from time-to-time perform the duties of the Acting City Attorney. On May 10, 2005, the agreement was amended to \$125,000 to include the duties of the Interim City Attorney. This amount was sufficient to cover the fees and costs through the end of fiscal year 2004-2005.

In a separate agenda item, the Financial Policy Committee has recommended the initiation of the process to recruit a full-time, in-house city attorney. In the interim, the firm of Jorgenson, Siegel, McClure & Flegel will continue to perform the duties of the city attorney. Staff is recommending that Council approve the attached Second Amendment to Agreement increasing the contract amount to \$245,000. It is anticipated that the additional \$120,000 will be sufficient to cover the projected fees and costs for performing Interim City Attorney duties through December 31, 2005.

FISCAL IMPACT:

Fees and costs for the contract city attorney average \$23,500 per month and will be accommodated in the City Attorney's Office budget.



Local Hazard Mitigation Plan Strategies

RECOMMENDED ACTION(S):

Recommend Council review pre-disaster mitigation strategies for information purposes as required by The Disaster Mitigation Act of 2000 and The Association of Bay Area Governments.

EXECUTIVE SUMMARY:

Agenda Item # 16
Prepared By:
(Police Commander)
Approved By:
(Chief of Police)
Submitted By:
City Manager

On March 17, 2005, the Association of Bay Area Governments (ABAG) adopted a plan for taming natural disasters in the San Francisco Bay Area. This plan is called the Local Hazard Mitigation Plan (LHMP) and is designed to serve as a catalyst to provide local governments with mitigation strategies to enhance the disaster resistance of our region. Participation in the plan by local governments fulfills the requirements of the Disaster Mitigation Act of 2000, which requires all local governments to develop and adopt this type of pre-disaster mitigation plan. In the San Francisco Bay Area, ABAG has prepared the LHMP as an umbrella plan for participating cities. The LHMP is submitted to the Federal Emergency Management Association (FEMA) for final approval. As part of this umbrella plan each city has prepared a report containing mitigation strategies that serves as an annex to the LHMP. In the event that a man- made or natural disaster should strike Morgan Hill, participation in the LHMP helps to ensure that the City will be able to receive federal disaster recovery funds. Participation in this plan also positions the City to apply for pre-disaster mitigation grants in the future.

Enclosed with this report is a copy of the pre-disaster mitigation strategies prioritization index that City staff members have completed. These strategies form a part of a more complete report that the City will submit to ABAG after Council has had the opportunity to review and adopt the complete report at a future date and time.

FISCAL IMPACT:

None

Priority (CHECK ONLY ONE)								
	Pi	riorit	y (C	HEC	K O	NLY ONE)		
Specific Mitigation Strategy	Existing Program	Very High	High	Moderate	Under Study	Not Applicable, Not Appropriate, or Not Gost Effective Considered	Responsible Agency or Department (Required if Existing Program, Very High, High, or Under Study)	Ordinance or Resolution # (if existing program), Estimated Cost and Possible Funding Agency (if high priority), Estimated Date of Completion (if study) OR Other Comments
LAND - a - Earthquake Hazard Studies for New Development	ts							
 Enforce and/or comply with the State-mandated requirement that site-specific geologic reports be prepared for development proposals within Alquist-Priolo Earthquake Fault Zones, and restrict the placement of structures for human occupancy. (This Act is intended to deal with the <i>specific</i> hazard of active faults that extend to the earth's surface, creating a surface rupture hazard.) Require preparation of site-specific geologic or geotechnical reports for development and redevelopment proposals in areas subject to earthquake-induced landslides or liquefaction as 								
mandated by the State Seismic Hazard Mapping Act in selected portions of the Bay Area where these maps have been completed, and condition project approval on the incorporation of necessary mitigation measures related to site remediation, structure and foundation design, and/or avoidance. 3) Recognizing that some faults may be a hazard for								
surface rupture, even though they do not meet the strict criteria imposed by the Alquist-Priolo Earthquake Fault Zoning Act, identify and require geologic reports in areas adjacent to locally-significant faults. 4) Recognizing that the California Geological Survey has not completed earthquake-induced landslide and liquefaction mapping for much of the Bay Area, identify and require geologic reports in areas mapped by others as having significant liquefaction or landslide hazards.				X				

	036 1	****	gatioi	Otiati	<u> </u>	
5) Support and/or facilitate efforts by the California	X					City Managers office&
Geological Survey to complete the earthquake-induced						Public Works
landslide and liquefaction mapping for the Bay Area.						
6) Require that local government reviews of geologic and	X					Public Works
engineering studies are conducted by appropriately						
trained and credentialed personnel.						
LAND - b - Wildland and Structural Fires						
Review development proposals to ensure that they	X					Planning and Police
incorporate required and appropriate fire-mitigation						
measures, including adequate provisions for occupant						
evacuation and access by emergency response						
2) Develop a clear legislative and regulatory framework at					Χ	
both the state and local levels to manage the wildland-						
urban-interface consistent with Fire Wise and						
sustainable community principles.						
LAND - c - Flooding	' '		, ,			
Establish and enforce requirements for new	X					Public Works & Planning
development so that site-specific designs and source-						
control techniques are used to manage peak						
stormwater runoff flows and impacts from increased						
runoff volumes.						
2) Incorporate FEMA guidelines and suggested activities			Х			Morgan Hill OES
into local government plans and procedures for						
managing flood hazards.						
3) Provide an institutional mechanism to ensure that	X					Business and Housing &
development proposals adjacent to floodways and in						Planning
floodplains are referred to flood control districts and						
wastewater agencies for review and comment						
(consistent with the NPDES program).						
4) Establish and enforce regulations concerning new	X					Business and Housing &
construction (and major improvements to existing						Planning
structures) within flood zones in order to be in						
compliance with federal requirements and, thus, be a						
participant in the Community Rating System of the						
National Flood Insurance Program.						
LAND - d - Landslides and Erosion						
						-

1) Establish and enforce previous (under subdivisions	Х				<u> </u>	City Manageria Office 9	Conoral plan
1) Establish and enforce provisions (under subdivision	^					City Manager's Offcie &	General plan
ordinances or other means) that geotechnical and soil-						Planning	
hazard investigations be conducted and filed to prevent							
grading from creating unstable slopes, and that any							
necessary corrective actions be taken prior to							
development approval.							
2) Require that local government reviews of these	X					Planning	
investigations are conducted by appropriately trained							
and credentialed personnel.							
3) Establish and enforce grading, erosion, and							
sedimentation ordinances by requiring, under certain							
conditions, grading permits and plans to control erosion							
and sedimentation prior to development approval.							
4) Establish and enforce provisions under the creek							
protection, storm water management, and discharge							
control ordinances designed to control erosion and							
sedimentation.							
5) Establish requirements in zoning ordinances to address							
hillside development constraints, especially in areas of							
existing landslides.							
LAND - e - Hillside - Multi-Hazard							
1) Establish a buffer zone between residential properties	X					Santa Clara Coutny Fire	
and landslide or wildfire hazard areas.							
2) Discourage, add additional mitigation strategies, or	Х					Building Division	
prevent construction on slopes greater than a set						Ballaning Biviolott	
percentage, such as 15%, due to landslide or wildfire							
hazard concerns.							
LAND - f - Smart Growth to Revitalize Urban Areas and Pron	note Sust	taina	bility				
Prioritize retrofit of infrastructure that serves urban				Χ			
areas over constructing new infrastructure to serve							
outlying areas.							
2) Work to retrofit homes in older areas to provide safe				Χ			
housing close to job centers.							
3) Work to retrofit older downtown areas to protect	Х					Busines and Housing	
architectural diversity and promote disaster-resistance.							
,							
					-	1	·

4) Protect as open space areas susceptible to extreme	X			Planning Division	
hazards.					
5) Provide new buffers and preserve existing buffers			Χ		
between development and existing users of large					
amounts of hazardous materials, such as major					

MEETING DATE: August 24, 2005

POLICY REGARDING THE SELECTION OF VICE-CHAIR TO THE REDEVELOPMENT AGENCY

Agenda Item # 17
Prepared/Approved
By:

Council Services & Records Manger

Submitted By:

City Manager

RECOMMENDED ACTION(S): Amend City Council Policy to stipulate that the Mayor Pro Tempore, who is appointed, on an annual rotation basis, is also to serve as Vice-Chair to the Redevelopment Agency

EXECUTIVE SUMMARY:

In November of each year, a Council member is nominated and selected to serve a year as Mayor Pro Tempore. In the absence of the Mayor, the Mayor Pro Tempore presides over meetings of the City Council and has all the powers and duties of the Mayor.

The Redevelopment Agency also appoints a Vice-chair in the month of November. In the late 1990s to early 2000's, the City Council/Redevelopment Agency would appoint the next in line to serve as Mayor Pro Tempore as the Vice-chair to the Redevelopment Agency. This sometimes led to confusion and awkwardness when it came time to notify the Mayor Pro Tempore and the Vice-Chair to the Redevelopment Agency that the Mayor/Chair would not be attending a meeting. This would lead to two different individuals presiding over a joint City Council/Redevelopment Agency meeting. In recent years, the City Council agreed to nominate and appoint the same individual to serve as the Mayor Pro Tempore and Vice-chairman. Should the Council wish to continue appointing the same individual to serve as Mayor Pro Tempore/Vice-chair, staff recommends that City Council Policy, CP 99-01 be amended to reflect that the Council member selected to serve as Mayor Pro Tempore is also to serve as Vice-chair to the Redevelopment Agency. No other changes to Policy CP 99-01 are proposed. Staff has attached Policy CP-99-01 that incorporates this modification for Council consideration.

FISCAL IMPACT: No fiscal impact.

Submitted for Approval: August 24, 2005

CITY OF MORGAN HILL JOINT REGULAR REDEVELOPMENT AND SPECIAL CITY COUNCIL MEETING MINUTES – JULY 27, 2005

CALL TO ORDER

Chairman/Mayor Kennedy called the special meeting to order at 7:02 p.m.

ROLL CALL ATTENDANCE

Present: Agency/Council Members Carr, Grzan, Sellers, Tate and Chairperson/Mayor Kennedy

DECLARATION OF POSTING OF AGENDA

Agency Secretary/City Clerk Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

SILENT INVOCATION

Chairman/Mayor Kennedy announced that recently, Michael Crocker, a former teacher, principal of Jackson Elementary School, and a member of the community, passed away; a victim to cancer. He stated that he attended a funeral held last night; indicating that Mr. Crocker will be missed. He stated that the Council will be adjourning the meeting in memory of Mr. Crocker.

PLEDGE OF ALLEGIANCE

CITY COUNCIL SUBCOMMITTEE REPORTS

Mayor Pro Tempore Tate reported that the Financial Policy Committee met earlier this evening and that the Committee will be preparing a recommendation for Council consideration on retaining the services of a consultant who will assist the City in a year long community conversation. He stated that the recommendation will be presented to the Council on August 24, 2005.

OTHER REPORTS

PUBLIC COMMENT

Chairman/Mayor Kennedy opened the floor to public comment for items not appearing on this evening's agenda. Dan Craig, Executive Director of the Morgan Hill Downtown Association, informed the Council/Agency Board and the public that restaurants in the downtown have started an outdoor dining concept along Monterey Road. He felt that outside dining has made a great appearance on the streets as it generates more activity and foot traffic in the downtown. It is the Association's hope that there will be more outside dining and individuals patronizing the downtown. No further comments were offered.

Redevelopment Agency Action

City of Morgan Hill Joint Regular Redevelopment Agency and Special City Council Meeting Minutes – July 27, 2005 Page - 2 -

CONSENT CALENDAR:

Chairman Kennedy requested that items 1 and 3 be removed from the Consent Calendar.

<u>Action:</u> On a motion by Agency Member Sellers and seconded by Vice-chairman Tate, the Agency Board unanimously (5-0) <u>Approved</u> Consent Calendar Items 2 and 4 as follows:

2. <u>PRELIMINARY JUNE 2005 REDEVELOPMENT AGENCY FINANCE AND INVESTMENT REPORT</u>

Action: Accepted and Filed Report.

4. <u>INTERIM LOAN FOR ROYAL COURT HOUSING PROJECT</u>

<u>Action:</u> <u>Authorized</u> the Executive Director to do Everything Necessary and Appropriate to Negotiate, Execute and Implement, Subject to Agency Counsel Review and Approval, a Loan Agreement with South County Housing in an Amount not to Exceed \$1.9 Million for the Royal Court Housing Project.

1. CASA DIANA MIXED-USE PROJECT – SECOND LAND ACQUISITION LOAN

Chairman Kennedy stated that he wanted to make sure that for-sale housing units were a part of this project and that it was his understanding that this is not the case with this loan.

Director of Business Assistance and Housing Services Toy said that the project is located on Dunne Avenue, by the railroad tracks; adjacent to Mama Mia's Restaurant. He stated that the project would include a combination of affordable rental units, for-sale ownership units and a commercial project along Butterfield Boulevard. He informed the Agency Board that 70-80 affordable units are proposed as part of phase I of the project. Phase II of the project is envisioned to be 50-70 for sale/ownership type units, mixed with a commercial portion of the project. He stated that the concept is to proceed with the rental affordable units and to wait to define where the ownership component would be located. He said that it is his understanding that the Council would like staff to take a look at including for-sale ownership units as part of Phase I of the project. He indicated that staff is in conversation with the project proponent, EAH, about this. He stated that typically, EAH finds a partner who will develop the for-sale portion of a project. Staff will need to pursue this and determine how many of the for-sale units would be involved and how the phasing would work. He felt that staff could address ownership units as part of the master plan.

Chairman Kennedy stated that he would not feel comfortable moving forward with Phase I without the for-sale units. He inquired whether there would be an adverse impact to the schedule if the City takes time to address this issue.

Mr. Toy informed the Agency Board that EAH needs the City to provide funding so that they can proceed with the purchase of the property. It was his belief that escrow would close in mid August. It is his hope that EAH could purchase the property while staff works out the details. He indicated that staff would return with a disposition and development agreement (DDA) or owner participation agreement to

City of Morgan Hill Joint Regular Redevelopment Agency and Special City Council Meeting Minutes – July 27, 2005 Page - 3 -

the Agency Board in the future. He noted that there is an October 3, 2005 deadline for the submittal of a Measure C application. Staff needs to make sure that everything is in order so that the applicant meets the deadline for Measure C submittal. However, it was staff's belief the City has time to figure out how the for-sale units can be included as part of Phase I.

Chairman Kennedy inquired whether approval can be conditioned such that for-sale housing units are to be a part of Phase I.

Mr. Toy said that staff would need to return to the Agency Board with a DDA to incorporate for-sale units. However, it could be possible that for-sale units may not work as part of Phase I. He indicated that the recommendation is that the Agency Board approves a loan to purchase the property. Staff would return to the Agency Board with a DDA and talk about phasing of the project. At that time, the Council may decide it would like to proceed in a different path. However, with the October 1, 2005 Measure C filing deadline coming up, it may be problematic. He clarified that Chairman Kennedy's request can be addressed at a later date without jeopardizing the project. He said that staff understands the Agency Board's direction in trying to include ownership units within the project. He said that staff does not know where the for-sale units would be located, and whether they can be phased. He noted that Measure C has a limited amount of units and that EAH needs to determine the priority of the units. It was his belief that South County Housing would also be applying for the for-sale ownership allocations.

Mayor Kennedy stated that he would not be supporting the request this evening.

Agency Member Carr noted that the action before the Agency Board this evening is to provide financial assistance to EAH to purchase the property. It is not to help EAH design their project. He stated that the Agency Board could approve the recommended action and assist EAH in meeting their funding deadline for acquiring the property. The Agency Board can place other limits as far as their ability to apply and/or be awarded Measure C allocations. He said that the Agency Board can approve or disapprove the DDA when it returns to the Agency Board if the project does not provide the housing units desired; inhibiting their ability to apply under Measure C.

Mr. Toy said that EAH could assign the rights of the property to the City. The City would then forgive the loan and own the property.

Executive Director Tewes indicated that when the Agency Board discussed the project months ago, the Board indicated that it wanted staff to ensure that the mixed use project includes for-sale housing. Staff and EAH advised the Agency Board, at that time, that there were risks and concerns about converting units into condo units. The Agency Board made clear, that as part of the loan to be approved, the City could purchase the property. The City could work toward developing an appropriate mixed use project should EAH be unable to deliver the mixed use project as established by the Agency Board as a policy direction.

Mayor Kennedy stated that he would withdraw his objection with the understanding that it is his expectation that there will be for-sale units as part of the project.

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Action:

On a motion by Chairman Kennedy and seconded by Vice-chairman Tate, the Agency Board unanimously (5-0) <u>Authorized</u> the Executive Director to do Everything Necessary and Appropriate to Negotiate, Execute and Implement a Loan Agreement with EAH, Inc., Subject to Review and Approval of Agency Counsel, for a Loan up to \$1,100,000 for EAH to Acquire a Third Parcel for the Casa Diana Housing/Commercial Mixed-Use Project.

3. OPTION AGREEMENT FOR 55 EAST FOURTH STREET PROPERTY

Chairman Kennedy noted that the appraised value for the property was based on an old appraisal. He inquired whether staff has a more recent appraisal.

Director of Business Assistance and Housing Services Toy indicated that the value of the property was based on the value of the library property when the City talked about a ground lease in the downtown. Staff felt that this was the market rate value for the property and that staff applied the same asking price. He indicated that staff could request an updated appraisal as part of the transaction.

Agency Member Sellers inquired whether there was a timing issue should the Agency Board request an updated appraisal. He felt that the price of the property appears to be in line with what other properties in the downtown have been selling for recently.

Mr. Toy indicated that an appraisal would take 4-6 weeks to prepare. He said that it was his belief that the developer would like to take control of the property in order to proceed with a Measure C application.

Agency Member Sellers said that the Agency Board received questions from the developer that raised larger issues about the development of the entire block. He felt that there were still several questions that need to be answered to reassure the developer and to make sure that the City is heading in the right direction. He inquired as to the next steps.

Mr. Toy said that staff spoke with the developer today and that it was staff's belief that some of the issues can be resolved, administratively. He informed the Agency Board that the developer would be entering into a disposition and development agreement (DDA) for the property. The developer is concerned that entering into a DDA would not give him control in the future. He said that this issue was clarified. He stated that it has always been the vision that the home would be relocated at time of construction. The Agency Board requested an option to close o the property in order to coincide with commencement of construction in June 2007. Staff does not believe this condition to be unreasonable. He said that the outstanding issue relates to environmental review. He stated that typically, the buyer would conduct phase I and phase II environmental work. At issue is what happens if something is found as part of the environmental review. In terms of the purchase price, it was staff's belief that the price was at market rate. Therefore, staff did not order an appraisal. However, staff could order an appraisal, but that it would defer the time for the option agreement as it needs to include a price. He noted that the DDA would address conformance of the project with the downtown plan and the parking plan.

Vice-chairman Tate felt that the DDA would address/resolve some of the issues.

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Agency Member Grzan inquired as to what point the City would decide whether it would use an estimate from a previous project and when to decide that an updated appraisal is needed.

Mr. Toy said that initially, the estimate was a market rate price and that staff would be able to find comparables to justify the price. Therefore, staff did not order an official appraisal. He said that some point down the line, staff would get an appraisal as part of the transaction of the DDA. It was his belief that the Agency Board could structure the purchase price on this price or an appraised value, whichever is higher. He said that the need for appraisals varies; depending on the transaction.

Agency Member Grzan did not know if he could support a motion because he would want to receive an appraisal. He did not know whether the Agency Board should approve this item based upon receiving an appraisal, replacing the purchase amount based on the appraisal.

Interim Agency Counsel Siegel stated that the Agency Board could substitute the agreement with language that stipulates that an appraisal is to be prepared by a certified appraiser and decide how the appraiser is to be paid. However, at this point, two things could take place: 1) the Agency Board could be placed at risk as the price could be significantly less; and 2) since the option is for a very long period with the entire deposit being refundable, it gives the purchaser tremendous control over vetoing the price when the appraisal returns. He noted that this is a one way option and that the Agency Board would be stuck with the appraisal price, regardless.

Executive Director Tewes explained why staff believes this is the appropriate approach. He indicated that this property owner made a proposal to the City to construct a library in the downtown on a ground lease. The proposal indicated what the property owner thought the land was worth. He said that staff consistently committed that an appraisal was needed as it was felt that the price was high. In this instance, the same property owner wants to receive an option on City property. Staff picked the same purchase price that the property owner previously identified.

Agency Member Grzan felt that the Agency Board should do the right thing and receive an appraisal.

Executive Director Tewes noted Mr. Toy has suggested that the option price be the fixed number or the appraisal price, if higher.

Chairman Kennedy and Agency Member Grzan stated that they would support incorporating Mr. Toy's suggestion.

Chairman Kennedy opened the floor to public comment.

Rocke Garcia stated that it was his belief that the offer price is higher than what the property is worth. He said that the property is key to him as it would enable him to control the entire "Sunsweet" block. In order to be able to submit for Measure C allotment, he is required to have property control. Should the Agency Board decide that it wants an appraisal, he suggested that the City receive an appraisal and that he would agree to the preparation of a different appraisal, agreeing to a median purchase price as part of

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the option agreement. However, he stated that he was comfortable with the price as listed. He indicated that he needs resolution in order to submit for Measure C. He said that he has met with his architect and land planner in order to submit for Measure C. If he does not have control of the property, it would make no sense to proceed with the submittal of a Measure C application this year.

Executive Director Tewes stated that he would not recommend the approach as suggested by Mr. Garcia for the reasons stated by the Interim Agency Counsel. It is also not a good business practice to have two appraisals preformed and then split the difference using public resources. He stated that the City needs to establish the value that a buyer and seller are willing to agree to. He did not believe that the City should be negotiating a price in the manner suggested.

Agency Member Grzan indicated that he supports Interim Agency Counsel Siegel's recommendation. If the applicant and Director of Business Assistance and Housing Services are stating that the price of the land is high, the City would find this out. Should it result in a low appraisal, the City would still agree to what the applicant is willing to pay. He felt that in good conscience, the City needs to proceed in securing an updated appraisal.

Vice-chairman Tate stated that he would like to follow the recommended action as stated by staff. He noted that the City has an applicant who is willing to go along with the fixed price agreed to by all parties. There is no need to wait for additional information or changes as everyone is in agreement with the recommended action.

Agency Member Sellers concurred with the comments expressed by Vice-chairman Tate.

Action:

Vice-chairman Tate made a motion, seconded by Agency Member Sellers, to <u>Authorize</u> the Executive Director to Execute, Including Making Modifications as needed and Subject to Agency Counsel Review and Approval, an Option Agreement for the Sale of 55 East Fourth Street to Glenrock Builders, or Its Designee, in the Amount of \$303,481 Plus Customary Escrow/Closing Costs.

Executive Director Tewes indicated that it was his understanding that the motion would adopt staff's recommendation, clarifying that it is staff's recommendation that the option price be based on the value. He indicated that staff would also support, the alternative of the option being established as this price on the appraisal, if higher.

<u>Action:</u> Vice-chairman Tate made a motion, seconded by Agency Member Grzan, to <u>Amend</u> the motion to stipulate the alternative option.

Agency Member Carr indicated that he was not comfortable with the amended motion. He stated that he was supportive of staff's recommended action. He noted that the Agency Board has been stating for years that these combined pieces of property are key to the improvements that the City wants to perform in the downtown. He said that he does not have any indication that this is not a good deal for the City. Had information been presented to this affect, the Agency Board would have to take a look at the information. He did not see any reason to delay moving forward with what is a very important piece to

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improving the downtown. Therefore, he would not be supportive of delaying the action further. Requesting an appraisal may potentially jeopardize the developer's ability to apply under Measure C this competition; resulting in the project being two years off before being able to develop.

Agency Member Grzan said that he has noticed that a number of issues come before the Council/Agency Board and that often times, decisions are made based upon pressures of time. He stated that he would like the Council/Agency Board to get away from having to make decisions because it is stated that time is of essence; resulting in poor decisions being made.

Agency Member Carr noted that the City studied the land value for this block for almost a year when the library location was discussed. The Council/Agency Board has talked about the downtown and improvements to the downtown for most of his tenure on the Council/Agency Board. He did not believe that this is a short decision or a decision being made based upon time pressures; noting that these are properties and values discussed by the City for some time. He expressed concern with delaying development in the downtown further. He did not believe that he was missing any information and is willing to move forward this evening.

Vice-chairman Tate inquired how he could withdraw his acceptance of an amendment to the motion.

Interim Agency Counsel Siegel indicated that as the amended motion has been seconded, Vice-chairman Tate would need the concurrence from Agency Member Grzan to withdraw the amended motion on the floor.

Action: Agency Member Carr made a motion, seconded by Agency Member Sellers, to accept

staff' recommended action as a substitute motion. The motion carried 3-2 with Chairman

Kennedy and Agency Member Grzan voting no.

Action: Agency Member Carr made a motion, seconded by Agency Member Sellers, to approve

staff recommended action: <u>Authorizing</u> the Executive Director to Execute, Including Making Modifications as needed and Subject to Agency Counsel Review and Approval, an Option Agreement for the Sale of 55 East Fourth Street to Glenrock Builders, or Its Designee in the Amount of \$303,481 Plus Customary Escrow/Closing Costs. The motion

carried 3-2 with Chairman Kennedy and Agency Member Grzan voting no.

City Council Action

CONSENT CALENDAR:

Mayor Pro Tempore Tate requested that agenda items 6 and 8 be removed from the Consent Calendar.

<u>Action:</u> On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council unanimously (5-0) **Approved** Consent Calendar Items 5, 7 and 9-14 as

follows:

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5. PRELIMINARY JUNE 2005 CITY FINANCE AND INVESTMENT REPORT Action: Accepted and Filed Report.

7. <u>ANNEXATION APPLICATION, ANX-01-04: CLAYTON-MERLANO</u> <u>Action: Adopted</u> Resolution No. 5933, Approving Annexation.

9. <u>SUBDIVISION IMPROVEMENT AGREEMENT WITH SANJAR AND SHARAREH</u> <u>CHAKAMIAN (APN 764-14-004)</u>

<u>Action:</u> 1) <u>Approved</u> Subdivision Agreement and Improvement Plans; 2) <u>Authorized</u> the City Manager to Sign the Subdivision Improvement Agreement on Behalf of the City; and 3) <u>Authorized</u> the Recordation of the Map and the Subdivision Improvement Agreement Following Recordation of the Development Improvement Agreement.

10. REJECTION OF BIDS FOR THE BUTTERFIELD WELL PUMP STATION PROJECT

<u>Action:</u> 1) <u>Rejected</u> the Bids Received on July 13, 2005 for the Construction of the Butterfield Well Pump Station; and 2) <u>Authorized</u> Staff to Re-Bid the Project.

11. <u>COUNCIL RESOLUTION SUPPORTING GRANT FUNDING FOR PREPARATION OF A "TRAILS AND NATURAL RESOURCES STUDY"</u>

<u>Action:</u> 1) <u>Approved</u> Resolution No. 5934, Supporting TDA Article 3 Grant Funding for the Preparation of a "Trails and Natural Resources Study"; and 2) <u>Appropriated</u> Funds of \$4,000 from the City Budget's Current Year Un-Appropriated Street Fund Balance.

12. COMMUNITY CHOICE AGGREGATION UPDATE

Action: 1) Accepted the Update Report from the Utilities and Environment Sub-Committee; and 2) Directed the City Manager to Solicit Potential Aggregation Partners from other Cities in Santa Clara County.

13. <u>ACCEPTANCE OF PARADISE PARK PLAY EQUIPMENT REPLACEMENT PROJECT</u>

<u>Action:</u> 1) <u>Accepted</u> as Complete the Paradise Park Play Equipment Project in the Final Amount of \$79,990; and 2) <u>Directed</u> the City Clerk to File the Notice of Completion with the County Recorder's Office.

14. <u>CITY COUNCIL POLICY REGARDING LAND USE NEAR STREAMS AND WATERWAYS</u>

<u>Action:</u> <u>Approved</u> the Proposed City Council Policy.

6. <u>VOTING DELEGATE TO THE 2005 LEAGUE OF CALIFORNIA CITIES ANNUAL CONFERENCE</u>

Mayor Pro Tempore Tate indicated that he would not be able to attend the League of California Cities business meeting. Therefore, he cannot serve as the alternate voting delegate.

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Action:

On a motion by Council Member Sellers and seconded by Mayor Kennedy, the City Council unanimously (5-0): 1) <u>Approved</u> Appointment of Mayor Kennedy as the City's Voting Delegate and Council Member Grzan as the Alternate Voting Delegate to the League of California Cities' Annual Conference; and 2) <u>Directed</u> the City Clerk to Complete the Voting Delegate Form and <u>Forward</u> Said Form to the League of California Cities.

Council Member Carr inquired whether Mayor Kennedy would be bringing back any issues to be voted upon by the delegates for the Council to discuss.

Mayor Kennedy requested that the resolutions to be voted upon by the delegates at the League of California Cities annual conference be brought back to the Council for timely review.

8. <u>CAPITAL IMPROVEMENT PROGRAM (CIP) FUNDING FOR REGIONAL SOCCER</u> <u>COMPLEX</u>

Mayor Pro Tempore Tate noted that these types of action items come before the Council as part of the agenda that it will be making a decision on, receiving a recommendation from a commission. He noted that this item is being brought before the Council independently on a recommendation made by the Parks and Recreation Commission on consent calendar. He clarified that the Council is receiving the recommendation and not accepting the recommendation.

Council Member Carr said that placing a recommendation from the Parks & Recreation Commission on consent calendar is different from standard procedures. He indicated that he attended the Parks & Recreation Commission meeting where they took it upon themselves to agendize the discussion and recommendation on the use of the soccer complex dollars. He stated that the Community & Economic Development Committee is taking a look at all Redevelopment Agency (RDA) funds, including the soccer complex dollars. The Committee will be returning with recommendations for all of the dollars. He noted that the recommended action is merely acknowledging the Parks & Recreation Commission's recommendation for the use of these dollars. He indicated that the Committee will be considering the Parks & Recreation Commission's recommendation as it looks at the RDA dollars.

Mayor Pro Tempore Tate stated that a committee he serves on will also be looking at all RDA funds.

Mayor Kennedy clarified that the Council is not approving nor adopting the re-allocation of funds, but merely receiving the report from the Parks & Recreation Commission.

Action:

On a motion by Mayor Pro Tempore Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) <u>Received</u> Recommendation from the Parks & Recreation Commission that CIP Funds Designated for Assisting Construction of a Regional Soccer Complex at Sobrato High School be Reallocated to the Outdoor Sports Complex Project.

City Council Action (Continued)

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CONSENT CALENDAR:

Council Member Sellers requested that item 15 be removed from the Consent Calendar. He indicated that he would be stepping down from discussion of this item 15 due to a conflict of interest. He excused himself from the Council Chambers.

15. <u>AWARD CONTRACT FOR CONSTRUCTION OF PEDESTRIAN CROSSING IMPROVEMENTS AT MONTEREY ROAD AND CENTRAL AVENUE</u>

City Manager Tewes indicated that the Council has been presented a report on the Dias from the Public Works Director recommending that the bid be rejected and that staff be authorized to rebid the project. He informed the Council that the bid for street improvements, in conjunction with Britton Middle School, came in extremely high. Staff was advised by the proposed bidders that the bid came in high as they are very busy and that should the City wait to rebid the project, the City may receive lower bids.

Council Member Carr inquired as to the timing of this project; noting that it was initially hoped to complete the project before the start of the school year. However, complications with Caltrans did not allow this.

Director of Public Works Ashcraft said that it is staff's hope to reopen the bid within four weeks. Staff will return to the Council in six weeks with a reasonable bid and recommend award. He said that it is possible that part of the work could be delayed until the school winter break; depending on the weather. It is still staff's hope to complete the project before the first of the year; subject to the bidding climate.

Council Member Carr indicated that the City-School Liaison Committee will not be meeting for a while. He requested that staff notify the School District about the delay.

Action:

On a motion by Mayor Pro Tempore Tate and seconded by Council Member Carr, the City Council, on a 4-0 vote with Council Member Sellers absent: 1) <u>Rejected</u> the bid received on July 26, 2005 for the construction of the Pedestrian Crossing Improvements project; and 2) <u>Authorized</u> Staff to Re-bid the Project (per the supplemental staff report).

Council Member Sellers resumed his seat on the Dias.

City Council Action

PUBLIC HEARINGS:

16. <u>DEVELOPMENT AGREEMENT, DA-04-09/ ZONING AMENDMENT, ZA-04-21; E. DUNNE-DELCO</u> – *Ordinance Nos. 1732 and 1733, New Series*

Planning Manager Rowe presented the staff report on a request to approve a mitigated negative declaration, amend the current R-2 zoning to establish a residential planned development overlay and a precise development plan for a 78-unit housing project (first phase - 34 units), and a development

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agreement on a 10.6 acre site fronting the southwest corner of East Dunne and San Benancio Way. He indicated that the Planning Commission recommends Council approval of the applications with a recommendation that the road widths be increased from 36 feet to 40 feet, curb to curb (standard requirement for streets that are not limited solely to local traffic).

Council Member Carr stated that he understands that there is a potential for through traffic and inquired whether the City was encouraging through traffic by the design of the project.

Planning Manager Rowe noted that the project is designed with 90 degree turns and would minimize the potential of encouraging through traffic to utilize the streets within the subdivision.

Mayor Kennedy noted that the City's traffic calming study and other traffic studies state that in order to slow traffic down, you need to narrow the streets. He expressed concern that through traffic would be increased with a wider road width. He stated that he did not agree with the Planning Commission and staff's recommendation.

Planning Manager Rowe indicated that the Planning Commission accepted Public Works' recommendation. He said that staff's recommendation is consistent with the City's adopted local street standards.

Council Member Grzan indicated that citizens ride bicycles on city streets. If the streets are designed to be narrow, it would present additional risks to bicyclist. He stated that he would like to incorporate pedestrian safety in residential areas, especially for bicyclist. He stated his support of the wider street widths.

Mayor Kennedy opened the public hearing. No comments being offered, the public hearing was closed.

Action: On a motion by Mayor Pro Tempore Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) Approved the Mitigated Negative Declaration.

Action: On a motion by Mayor Pro Tempore Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) Waived the Reading in Full of the Ordinance No. 1732, New Series (Zoning Amendment).

Action:

On a motion by Mayor Pro Tempore Tate and seconded by Council Member Sellers, the City Council Introduced Ordinance No. 1732, New Series, by Title Only as follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN R-2/RPD ZONING AMENDMENT TO ESTABLISH A RESIDENTIAL PLANNED DEVELOPMENT OVERLAY ON A 10.44 ACRE SITE LOCATED ON THE SOUTHWEST CORNER OF EAST DUNNE AVENUE AND SAN BENANCIO WAY. (APNs 817-11-067 & 817-11-072), by the following roll call vote: AYES: Carr, Grzan, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: None.

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Action: On a motion by Mayor Pro Tempore Tate and seconded by Council Member Sellers, the

City Council unanimously (5-0) <u>Waived</u> the Reading in Full of Ordinance No. 1733, New

Series (Development Agreement).

Action: On a motion by Mayor Pro Tempore Tate and seconded by Council Member Sellers, the

City Council <u>Introduced</u> Ordinance No. 1733, New Series, by Title Only as follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING DEVELOPMENT AGREEMENT, DA 04-09 FOR APPLICATION MP-02-06: EAST DUNNE - DEMPSEY & MP-04-12: EAST DUNNE - DELCO (APNs 817-11-067 & 817-11-072), by the following roll call vote: AYES: Carr, Grzan,

Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: None.

17. <u>ASSESSMENT OF HAZARDOUS VEGETATION MANAGEMENT PROGRAM</u> <u>CHARGES</u> – *Resolution No. 5935*

Assistant to the City Manager Dile presented the staff report, indicating that this evening; the Council would be concluding the 2005 Hazardous Vegetation program by hearing comments from the public and establishing the final report for the program. The Report will be sent to the County Assessor's for charges to be made to properties that had abatement work performed this past year. She informed the Council that Debbie Craver, Program Coordinator, Santa Clara County Fire Department, was in attendance to answer any questions the Council may have.

Mayor Kennedy opened the public hearing. No comments being offered, the public hearing was closed.

Action:

On a motion by Mayor Pro Tempore Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) <u>Adopted</u> Resolution No. 5935, Ordering the Final Report on the 2005 Hazardous Vegetation Program be transmitted to the County Assessor's Office and that Liens be posted against the Properties on the Report.

18. ZONING TEXT AMENDMENT, ZA-05-06: CITY OF MORGAN HILL-MG GENERAL INDUSTRIAL DISTRICT AMENDMENT

Planning Manager Rowe recommended that the Council open the public hearing and then table the request to amend the zoning district to allow concrete batch plants as permitted uses in the General Industrial (MG) zoning districts. He indicated that the Planning Commission believes that it would be a better approach to zone the site as a planned unit development (PUD) versus a blanket amendment to the MG zoning district. He informed the Council that staff would return with a zoning amendment to establish a PUD on the site being pursued by Associated Concrete that would allow a concrete batch plant as a permitted use in September 2005.

Mayor Kennedy opened the public hearing. No comments being offered, the public hearing was closed.

<u>Action:</u> On a motion by a Mayor Pro Tempore Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) <u>Tabled</u> this item.

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19. <u>APPLICATION ZA-04-14, AMENDMENT OF PARKING ORDINANCE TO</u> IMPLEMENT DOWNTOWN PLAN – *Ordinance No. 1734, New Series*

Director of Community Development Molloy Previsich indicated that the Downtown Plan calls for changing parking requirements in order to stimulate development in the downtown. For commercial development, parking is to be provided in common rather than parcel by parcel or site by site. She stated that it is being recommended that the on site parking requirements be eliminated for commercial uses and the elimination of the guest parking requirement for residential uses. She informed the Council that the Planning Commission reviewed a draft of a downtown parking management plan on June 28, 2005. At that meeting, it was revealed that parking could be at 85% occupancy in the downtown by 2007 and 100% occupancy by 2008, in a worst case scenario. The consultant, staff and the Planning Commission believe that the realistic projected scenario would be somewhere between the worst case and the best case scenario. She stated that more work needs to be done to the plan to identify the realistic assumptions and to figure out the actual loss of on street parking due to Third and Depot Street improvements. The City would need to come up with strategic measures for ensuring that long term parking supplies are met. She indicated that the consultant, staff and the Planning Commission are comfortable forwarding an ordinance to the Council that would provide for commercial and residential guest parking exemptions for a two-year period as the downtown has an excess parking supply and room to have development occur within the exemptions.

Ms. Molloy Previsich indicated that the Council needs to identify the boundaries of where the exemptions are to occur as part of the ordinance. She stated that the Council's Community & Economic Development (CED) subcommittee believes that the boundary should be the entire Downtown RCDS boundary; broadening the boundary from the recommendation of the Planning Commission. Expansion of the boundary would include all opportunity sites in the downtown core and adjacent to the downtown core identified in the Downtown Area Plan. She stated that the Council will need to identify the extent of the boundary area. The Council also needs to determine whether or not the ordinance should require payment of in lieu fees for any parking spaces not provided. She indicated that the consultant, staff and the Planning Commission recommend that parking in lieu fees be paid while the Council's CED subcommittee believes that requiring the payment of parking in lieu fees could be an obstacle and/or a disincentive for downtown development, and is recommending that the fees not be charged as a provision of this ordinance.

Mayor Kennedy felt that the two blocks located on the south side of Dunne Avenue, east of Monterey Road and across from the Community Center, would be a logical part of the downtown as they are located close to the courthouse.

Mayor Kennedy opened the public hearing.

Chris Bryant expressed concern about revising and eliminating on site parking without a dedicated space set aside for parking in the downtown (e.g., parking garage). He expressed concern that the City would end up with a developed downtown with parking located at the outskirts of the downtown that is not convenient for individuals to walk into the downtown area.

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Mayor Kennedy inquired whether Mr. Bryant was supportive of vertical mixed use; more housing and commercial uses in the downtown area. He felt that requiring parking spaces would act as a deterrent to this goal.

Mr. Bryant said that should the City allow a lot of development to take place in the downtown with no parking, it would be a deterrent to the health of the downtown. It was his understanding that proposed development would be constructed on top of existing parking that is relied upon by many visitors to the downtown. While he agrees that it would be better and more efficient to centralize parking, he would like to see development done in the right order. He felt that you need to identify and plan for parking.

No further comments being offered, the public hearing was closed.

Council Member Sellers said that the Council's CED subcommittee reviewed the proposed amendment, making sure that it used the parking study. He said that the Downtown Plan specifically lays out a long term plan for parking and designates some general areas where parking could occur. The areas identified are contiguous along Depot Street, adjacent to the train depot. Once the areas in between Depot Street and Monterey Road start to build out, he felt that parking opportunities will avail themselves. He noted that the Community Center's long term plan identifies additional parking for expansion. Therefore, parking sites have been identified, long term. He indicated that with commercial and residential mixed use, you will find that the same parking spaces get different uses, depending on the time of day. Having reviewed all the information and having an extensive discussion with the Downtown Association over the last month, the CED subcommittee feels comfortable and believes that it is appropriate to make the expansion. He stated that the Downtown Association had some concerns. He noted that the ordinance will have a second reading next week and that the Downtown Association will have the ability to weigh in on the ordinance should an error be found. He was pleased to see that the ordinance is moving forward and supported suspending the requirement for payment of in lieu fees, temporarily. It was his belief that the City needs to send a positive message to the downtown.

Mayor Pro Tempore Tate stated that should the City not collect in lieu fees, it will not have funding to build a parking structure. He did not know how providing an incentive at this time would enable the construction of a parking structure to occur at a later date.

Council Member Sellers supported a temporary suspension of requiring the payment of in lieu fees in order to encourage downtown development. He noted that development would be in partnership and in line with the other actions taken by the City. He stated that the Council can take a look at the situation at a later date.

Ms. Molloy Previsich clarified that the parking in lieu fees equate to \$5,271 per parking space not provided. The amount of in lieu fees not collected would depend on the types of projects that would be constructed in the two year time frame. She reiterated that the City's consultant, staff and the Planning Commission recommend that in lieu parking fees be imposed in order to be able to create/improve parking in the future. However, there could be an argument that requiring in lieu fees may be a disincentive to development in the downtown.

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Council Member Carr said that in lieu fees for commercial development works out to be \$20 per square feet in additional fees, and would not be sufficient to develop a parking space. By the time the City is able to collect in lieu fees, with inflation, the City will have lost a couple of parking spaces. He said that it is important to keep in mind that the CED subcommittee's recommendation to waive in lieu fees for commercial and guest parking for residential development in the downtown would be for a two-year limited basis. He noted that in the worst case scenario, as identified in the parking study, it was stated that the City has adequate occupancy through 2008. Therefore, the CED subcommittee recommends waiving the requirement under this timeline as a way to commence development in the downtown. He did not believe that in lieu fees provide enough dollars, space per space, to meet the requirements. He recommended that the Council talk about how the City can be a partner. The City needs to make sure that it takes the steps needed with adequate dollars and moves forward with potential development; keeping it underneath what the parking study states is the worst case scenario.

Mayor Kennedy expressed concern with the recommendation to waive in lieu parking fees. He felt the City would be taking a short sighted approach if it does not provide the parking that will be needed. However, he is in general agreement with the recommendation to waive the in lieu fees as long as it has a two year window period. He felt that developers would recover their costs through profits or the cost of the units.

Mayor Pro Tempore Tate complimented the Planning Commission for taking an analytical approach to this issue, noting that they are not done with their work. He felt that the Planning Commission would continue to find the right parking management plan to address future needs. On the recommendation of the CED subcommittee, he stated his support of incorporating the entire area and opportunity sites. He stated that he shares the concern about waiving the in lieu fees and did not believe that the City's in lieu fees were high enough. He agreed that the City needs to find incentives for development in the downtown. He stated that he may be willing to support collecting partial in lieu fees.

Mayor Kennedy felt that there were two questions that need to be answered. He inquired whether there was general consensus to support exhibit D.

<u>Action</u>: On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council unanimously (5-0) supported exhibit D, the expanded opportunity sites.

Council Member Grzan stated that he does not have a sense of the total cost of in lieu fees that could be generated. He inquired whether in lieu fees were collected in prior development in the downtown area.

Ms. Molloy Previsich said that it was her understanding that in lieu fees have not been collected in the downtown area as there are provisions in the ordinance that state that if a project is located adjacent to a parking lot, development can attain an exemption. She clarified that in lieu parking fees can be used to provide parking, add lighting, improve pavement, purchase public lots, and develop public parking areas. Any funds collected would help to implement some of the parking management strategies in addition to increasing the supply of parking to meet the demand of the downtown.

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Council Member Grzan said that if in lieu fees are collected, there would be an expectation that the funds would be used to alleviate parking. However, it has been indicated that in lieu fees to be collected would not be sufficient to alleviate parking needs.

Mayor Kennedy noted that staff has given the Council two alternatives and that the ordinance would reflect the Council's decision. He noted that the CED subcommittee is recommending that the in lieu fees be waived for two years and remove a possible disincentive to downtown development.

Ms. Molloy Previsich stated that based on potential development in the downtown, approximately \$1.8 million in revenues could be generated over the life of the Downtown Plan for the commercial component. Approximately \$220,000 could be generated for guest parking associated with 135 residential units (approximately \$2 million collected in parking in lieu fees with 90,000 square feet of non residential and 135 residential dwelling units).

Council Member Grzan inquired who would be paying for parking structure(s) in the downtown should the City not collect in lieu fees.

Ms. Molloy Previsich stated that the Parking Management Plan recommends exploring funding mechanisms that might include a parking assessment district. She said that Redevelopment Agency funding could be used to provide public parking if the area is extended, and/or parking meter revenue.

Council Member Sellers noted that the City did not collect in lieu fees for 10 years because commercial development has not occurred in the downtown. He felt that the City continues to create disincentives for development in the downtown. He noted that land costs in the downtown are high. He stated that Morgan Hill does not have a successful downtown because there is not enough development to create a successful downtown. He did not believe the City would build out 90,000 square feet in commercial development in 24-months. Therefore, the City is looking at a fraction of the amount that would be built overall. If the City creates an atmosphere where individuals want to build in the downtown, the City can incorporate parking in lieu fees at the appropriate time.

Mayor Kennedy noted that it has been mentioned that Redevelopment Agency funds can be used to pay the in lieu fees. He stated that he would like to see the use of Redevelopment Agency funds to pay the in lieu fees versus waiving these fees. He stated that he does not support waiving in lieu fees.

Mayor Pro Tempore Tate indicated that the proposed ordinance would sunset in March 2007. He noted that Council Member Sellers recommends the Council take action in order to spur development in the downtown. He stated that he shares Mayor Kennedy's concern, but that he supports the CED subcommittee's recommendation to waive in lieu fees for a two year period.

Action: On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council unanimously (5-0) **agreed** not to require in lieu traffic fees in the downtown area until March 2007.

Mayor Kennedy stated that he supported the motion, in general, as he supports the downtown.

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Action: On a motion by Mayor Pro Tempore Tate and seconded by Council Member Sellers, the

City Council unanimously (5-0) Waived the Reading in Full of Ordinance No. 1734, New

Series, Amending Municipal Code Chapter 18.50.

Action: On a motion by Mayor Pro Tempore Tate and seconded by Council Member Sellers, the

City Council <u>Introduced</u> Ordinance No. 1734, New Series, by Title Only as follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING THE MORGAN HILL MUNICIPAL CODE, CHAPTER 18.50 OFF-STREET PARKING AND PAVING STANDARDS, TO ESTABLISH EXEMPTIONS FOR DOWNTOWN DEVELOPMENT PROJECTS, waiving in lieu fees until March 2007 and incorporating Exhibit D, by the following roll call vote: AYES: Carr, Grzan,

Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: None.

City Council Action

OTHER BUSINESS:

20. OUTDOOR SPORTS COMPLEX

Special Assistant to the City Manager Spier presented the comprehensive report on the outdoor sports complex via a power point presentation. She addressed the Parks & Recreation Commission's perspectives on the Operation and Maintenance Agreement, ground lease, and shared parking. She informed the Council that the Parks & Recreation Commission recommends that the Council: 1) approve the deal points as outlined this evening; 2) consider naming the sports complex the "Morgan Hill Community Sports Park"; 3) approve the public-private Phase 1A conceptual site plan and master plan; and 4) fund additional site layouts for the private building. She indicated that the following are staff's recommendations to the Council: 1) adopt deal points; 2) ask non-profits to resolve issues and accept deal points; 3) ask the Coliseum Recreation Group (CRG) to accept deal points, and if they do, submit necessary supporting documentation; 4) if CRG cannot proceed because of disagreement, or "the window" has closed, 5) Council to consider whether to issue a new RFP, with revised site plan, or 6) Council direct the Parks & Recreation Commission to reconsider original program with possible different numbers and mix of fields in order to maximize revenue potential for non-profit operation.

Council Member Grzan indicated that when the Council entertained the possibility of having a private commercial entity be a part of this project, it was to somehow gain revenue from this venture to offset costs. If the youth groups are willing to undertake the operation and maintenance of the complex, he inquired as to the need for a commercial venture.

Ms. Spier informed the Council that the youth groups would only be able to take on the operation and maintenance costs with the assistance of lease payments. Should the City build the sports complex without a commercial entity, they would not be able to maintain the complex. She informed the Council that two youth groups are in attendance to respond to questions the Council may have.

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City Manager Tewes noted that pages 14 and 15 of the bound document outline a recommended implementation strategy.

Mayor Kennedy opened the floor to public comment.

Doug Payne, representing the Coliseum Recreation Group (CRB), stated that since the May 2005 meeting, it was noted that there was an alignment across the City Council regarding the next steps. He said that City staff, the Parks & Recreation Commission (PRC) and the CRG worked diligently over the last 60 days to accomplish a number of objectives and activities. He stated that the operations and maintenance has been accomplished and that CRG is satisfied with the work and analysis that has been done. He understands that the target for the operation and maintenance (O&M) is approximately \$150,000 per year. He said that the 100% cost recovery over a three-year period is a graduated approach to the business plan and that it has been incorporated. He confirmed that the youth groups are of priority within CRG's venue and that it is consistent with all the activities of the PRC. He stated his support of this objective. He has reviewed a dual project tracking and that this has been documented by staff. He stated that CRB has agreed to flexibility, assuming the entire lease, however, it was not the goal and the intent of the original RFP. Regarding cost recovery via other means, he said that foot traffic, transient occupancy tax (TOT) revenue, and economic development have been a part of the analysis and criteria for moving forward with the ERN.

Mr. Payne addressed the indoor recreation center and the CRG alignment. He stated that this remains open from staff's perspective. He said that CRG believes that it has completed the necessary work. CRG has put together a pricing analysis, product services, hours of operation, and market demographics. He addressed the deal points. He stated that CRG will respect the timeline put together and would respond accordingly. Regarding the term length, he stated that CRG is satisfied with the term length. He felt that a good solid analysis has been prepared by both sides, including the architect and city planning. He was pleased to see the City is looking to set aside a dedicated parcel. He agreed to answer questions regarding CRG's financial background and capability from a development and investment stand point. He informed the Council that the youth groups are in discussions regarding the outdoor operations and maintenance and that he does not see this to be insurmountable.

Mr. Payne addressed the operations plan. He said that there has been discussion about a public oversight into a private operation. To the extent that a public entity has oversight into a private entity's day to day operations or operation of the business is a concern to CRG. CRG sees a sublease approval as marginal, at the outset. Regarding the indoor recreation center and pricing, he stated that CRG has shared numerous documents that identify pricing of the services, products, programming schedules, services to be offered, marketing and demographics. It was his belief that concerns still linger, but that it is not clear what the specific issues are and that he needs to understand them. He stated that concerns have been raised with respect to the outdoor sports complex access and CRG's request for 10 weekends a year. He indicated that it is planned to draw and attract businesses and traffic to Morgan Hill in order to raise visibility. He stated that youth groups would be able to participate in any events hosted by CRG. He has evaluated the site improvements and that it is CRG's goal to assume any and all control within the private sector. He said that CRG plans to invest \$15 million toward a building and that at term, the

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Redevelopment Agency would assume the improvements. He stated that there is a gap between the fees and assessment, from an economic standpoint.

Mr. Payne addressed the analysis of a local fitness club market; stating that 60% of the fitness memberships are held outside Morgan Hill. It is felt that local expansion of the market will result in retaining 40% of the membership in the indoor recreation center that are currently not in the area. The indoor recreation center having 50% market share, and coliseum being a regional draw with 70% of its members located outside of the area, CRG sees collaboration. He stated that CRG is supportive and interested in a combined indoor and outdoor aquatics destination on Condit Road.

Mr. Payne said that CRG is seeking a regional sport destination versus a community focus. He stated that the future of the regional soccer complex is uncertain. He noted that the CYSA organization will vacate the site by 2006, depending on the length of the lease extension and construction timeline. He stated that the TOT loss income purported from the loss of the CYSA, and the lack of growth from a regional complex would be \$\frac{1}{4}\$ million per year, depending on tournament assumptions and the occupancy validated by the hotel community. He understands the challenges associated with the aquatics center in terms of the fiscal impacts. He noted that the aquatics center is focusing on the community and that it is questionable whether the community can continue to support it without a regional position and the revenue that is associated with this. He said that there is a potential for a TOT recovery with an outdoor sports complex. CRG views this as an economic development partnership opportunity.

Mr. Payne provided a summary of information to staff and the Council and recommended that the information be reviewed. He said that the packet includes information for an international economic development committee presentation put together by the City of Fisco, Texas relating to recreation and sports venues and what it means to a community.

Mr. Payne stated that the three deal structures are on the positive side. He felt that City staff made significant efforts to analyze the deals and work together. CRG is comfortable and appreciative of the architect's inclusionary work and the parking analysis efforts that have been completed. He stated that CRG has concerns in terms of the sports groups. He said that it is not known which groups would participate or how they are to be aligned over time. Regarding the priority of the complex being a community sports park versus a regional draw to drive economic development, he agreed that there needs to be community youth access. He stated that CRG has provided ways for youth access from a financial perspective. It is known that the community's youth are able to support the investment of some of the venues. He noted that the City is not able to contribute to this joint venture, at the onset. He stated that CRG is not willing to commit to all financial risks in development at this point because the deal points have been set up as a single, one way deal. He stated that CRG has continued to be active in the community, consistent with their vision over the last 1.5 years, to develop a sports destination for Morgan Hill. He said that CRG is not aligned with a public-private partnership. If development fees and assessments can be offset, versus the current regional sports TOT, there is an opportunity to look at creativity around the development fees, assessments and costs. He noted that these are items that the private sector has no control over from a development stand point. He felt that the perspective of community versus regional may influence and/or contribute to some of the decisions to be made on this item. He stated that he has reached out to the Sports Management Group. It is not known whether the

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indoor recreation center will be able to support the demand that it will create. He informed the Council that the Sports Management Group's cursory feedback was that the two facilities would be complimentary. He recommended that the City leverage a third party who could review the operations and programming of the indoor recreation center in order to get the alignment of the two venues. The Council could then proceed based on the results.

Bob Morris, president of Morgan Hill Pony Baseball and one of the principals of the Morgan Hill Youth Sports League, informed the Council that Morgan Hill Pony Baseball is committed to the sports complex in either form: a public-private or strictly public concept. He said that a youth sports subcommittee reviewed a youth sports park. The subcommittee put together a configuration that would accommodate the youth sports group; including the cost to put together a youth sports complex. He said that Morgan Hill Pony Baseball is looking to vacate some of the school fields and using the sports complex fields. In return, Pony Baseball would help manage the complex. As time went on, funding issues were reviewed. He informed the Council that the subcommittee has not finished its analysis on managing the fields without private funding. If you incorporate non youth programming to generate revenue, the park would need to be reconfigured to add more fields; possibly bringing in adult leagues to help offset the operating fees. He stated that the youth sports leagues; consisting of Pop Warner Football, Morgan Hill Pony Baseball, soccer and volleyball, have formed a league to compete for management of the sports complex. He stated that these four entities are the founding members and that these four sports organizations are the majority of the sports league in the City that have experience in scheduling and maintaining fields.

In response to Council Member Grzan's question, Mr. Morris stated that a consolidated youth group would be willing to undertake the maintenance and operations of the fields, pending the investigation of potential revenue generation. If there is thought given to the configuration of adding one or more full sized fields and multiple fields for youth, you can hold large tournaments. He has spoken to several travel teams, both in town and out of town, who have indicated that they would be willing to pay for the use of the facility.

Council Member Grzan noted that the City of Gilroy is proposing to build a 40-acre outdoor project. He inquired whether Morgan Hill would be able to compete with such a structure.

Mr. Morris stated that it was his belief that Gilroy's complex would be geared toward softball and little league baseball. It was also his belief that the complex would attract more from the competitive area versus the youth area. He indicated that an analysis could be completed by October 2005 to be comfortable in approaching the City as being the sole entity and providing the maintenance and operation of the facility. He stated that a non profit organization has not been formed, but that the four organizations intend to submit an application for a 501c, non profit status.

Debbie Cupp spoke in support of the Coliseum Recreation Group. She noted that in 2001, the YMCA paid for a study to look at what would need to go into the indoor recreation center and the fees to be charged to citizens of Morgan Hill that would make the center viable. The study found that the indoor recreation center would need Morgan Hill residents as well as San Martin and Gilroy residents to make it a financial viable venture. One concern that she has with the CRG proposal is that they could draw

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from some of the users of the indoor recreation center. She recommended that an outside vendor be looked at such as Balducci and Associates or Sierra Analytics to assess whether or not CRG would cannibalize some of the users from the indoor recreation center. She recommended that this be studied in order to ensure that the indoor recreation center is full cost recovery.

Craig van Keulen requested that the Council consider an additional allocation of \$3,500 to explore reorientation of the site plan for the Coliseum Recreation Group to orient their 110,000 square foot building on an east to west orientation instead of a north to south orientation. Also, to determine whether or not this orientation would be more aesthetically pleasing and would not block the view of the entire baseball area.

Jeff Bernardini, chairman of the Parks and Recreation Commission (PRC), stated that the PRC is in consensus that it would like the sports complex to move forward with or without a public-private partnership. He said that the project is important to the PRC and recommended that it move forward as quickly as possible. He said that at the last PRC meeting; only four members were in attendance and that an issue was raised regarding the field design. He indicated that the Council addressed all deal points and that the PRC has been asked to be more involved in the decision making process. He noted that the Council has received the PRC's feedback via the matrices found in the Council packet. He said that there was a conflict question raised at the PRC meeting about his interest. He stated that he serves on the Morgan Hill Youth Sports Alliance as a board of director. He did not believe that he had a financial or legal issue in his participation on this matter. With respect to the common law issue, he felt that he has and will continue to remain unbiased. He indicated that he has asked the Interim City Attorney to look into this issue and provide an official ruling. He did not believe that he has a conflict and that once he is advised he has a conflict, he would step down. His concern with the community has been well proven and that he does not believe that he has been biased in any way.

David Dworkin addressed the loss of \$220,000 - \$250,000 in TOT. He said that the City will loose \$120,000 in TOT within the first four months without the CYSA soccer complex. He did not know how communities can sustain multi sports complex and recuperate financial losses. He noted that two hotels have changed hands and that another hotel to the north is for sale. Another hotel has indicated that they would close their doors without CYSA. He stated that four hotels have been added and that you see hotel rates range from \$99 to \$85 based on supply and demand. He noted that the Almaden area is building a multi sports complex as is the City of Gilroy. He stated that he supports the idea of a multi sports complex, but he hopes that it can be designed to replace the tax loss to be seen. He stated that it will take time to build and create a market. With the hotel economy, he did not know whether hotels can take another hit. He stated that hotels need to draw from major tournaments. As a hotel manager, he supports the idea of a sports complex; as a resident, he likes the multi sports complex, but not at the cost of essential city services such as police services.

City Manager Tewes noted that there is a question on the economic impacts associated with the loss of the soccer complex and that of a private-public partnership for a proposed outdoor sports complex. He said that staff has heard many different perspectives. This evening, he has heard the highest range of impacts. He informed the Council that staff has asked the Chamber of Commerce's Tourism Committee to provide the City with data. He noted that the analysis is not included in the packet as staff received

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the information late last week and did not have the opportunity to review the information. Staff now has data from all hotels except one located along the Condit corridor. Staff will be contacting this hotel directly. Once the information is received, staff can overlay the information with other pieces of data from the CYSA over the past two years that indicate which weekends they had the highest use and which weekends they did not. This information will assist in determining economic impacts.

Daniel Ehrler indicated that the Board of Directors of the Chamber of Commerce has not taken an official position on what is before the Council. He said that this item has been discussed by the Chamber of Commerce's Economic Development Committee. There have also been discussions on attraction and retention. Based on statements made by Mr. Dworkin and the City Manager, in terms of the economic impacts on decisions being made, he felt that the economic impacts are relatively significant. He felt that numbers need to be obtained. He suggested the Council await economic information as part of its discussion and consideration. He said that there is no doubt that the decisions relatively to this land, based on its importance and significance to the City, and the community at large, as well as economic impacts and its contributions to the City's revenues/services, should be included in the mix of discussions. He felt that this is an element of discussion that would be significant and important to include.

No further comments were offered.

Ms. Spier requested that the Council provide staff direction regarding the deal points and direction on the interim lease extension with the CYSA organization. She noted that CRG has indicated that they would look at an overall lease arrangement. However, staff is recommending that 2.5 acres be carved out for CRG and that the remainder be used by sports group. She said that staff is willing to work with the two groups to see if they can reach agreement by October 2005. Staff would return to the Council with an overall master plan at that time.

Mayor Kennedy noted that Mr. Ehrler suggested that a Council decision be delayed. He inquired whether the Council could concurrently study the economic issues and have a bail out option should there not be an agreement.

City Manager Tewes clarified that the Council can consider the recommendations of the PRC and the sports groups this evening. He stated that individuals who are asking the Council take into account the economic impacts are also asking the Council to revise and extend its goals. He noted that the goal for the project did not talk about the issues raised by the proponents of one proposal or another. He felt that staff can come up with a reasonable/acceptable analysis of the impacts associated with the soccer complex. Staff does not believe that there is sufficient information from CRG to evaluate their business plan much less the economic impacts of their proposal. He felt that it would be inappropriate to ask CRG to provide a lot of information along these lines until they know whether or not the deal points being recommended are acceptable to the Council. He noted that their deal points are significantly at variance from what they proposed in March and what they commented upon this evening. He noted significant economic impacts to the City's budget. The deal points suggest that the private development costs be borne by the private developer. Their proposal is at variance with this and that this is an area that staff needs guidance from the Council. Until CRG knows whether it is a deal worth pursuing, he

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was not sure if it was fair to ask them to provide the City with a detailed analysis of their sources, uses, funds, and/or operating plans so that staff can properly evaluate their impacts. He stated that it is clear that there would also be economic impacts from private development. There would be economic impacts associated with development on private property or from any private investment in the community. He indicated that CRG is requesting the Council revise its goals for the outdoors sports complex.

Council Member Grzan noted that the project for an outdoor recreation complex is primarily to serve the youths of Morgan Hill, and thus, the intent for putting money into this facility. He hears this evening encouragement from youth groups that they are willing to undertake and look at being the sole source for the management and operation of this complex. He stated that he would like the Council to give the youth groups time to explore these possibilities, realistically looking at the costs and what the commitment would be. He felt that the best decision the City could make is serving the youth of Morgan Hill and having the coordination made by the youth organizations. He stated that he was inclined to pursue this direction as opposed to proceeding further with a commercial venture and the complexities associated with a private venture. This would give the City's youth the greatest opportunity to participate on local fields.

Mayor Pro Tempore Tate noted that Mr. Payne identified the gap as being the City's willingness to contribute dollars to a joint venture. He understood Mr. Payne has a justification based on economic return for making this investment. He said that the economic return the City is receiving from the soccer fields at this time is being spent as part of the general fund. He noted that the Council established a \$2.5 million budget for the outdoor sports complex. He acknowledged that the City is not able to contribute funding above and beyond the \$2.5 million already earmarked for this project. He recommended that the Council stick to its budget for this project. He does not know if there is any way, without the private rental, to get the private sports groups to maintain the facility. He said that the fundamental gap with the CRG proposal seems to be the additional money they want the City to assist with in terms of fees, etc., the City does not have. He stated that he would support shifting the funds earmarked for the regional soccer complex toward the library.

Council Member Carr said that he attended a couple of the PRC meetings when they discussed this issue. He applauded the PRC for their work and extensive review of this issue. He stated his support of the extension for the CYSA interim lease to provide additional revenue while the City continues to work out these issues. He stated that the Council needs to keep in mind that there is more than one sports group that wants to operate the sports complex. He felt the Council needs to give specific direction to the leaders of these organizations about its expectations from these groups as well as its expectations of the facility and meeting the needs of the entire community. He noted that staff is recommending that the Council direct these organizations to work out some of the differences; returning to the Council in October 2005. It is his hope that the Council would resolve the issues so that it does not end up with a similar situation being experienced with the aquatics center by competing organizations for the use of the same space. The Council needs to address its expectations of the use of the sports complex fields. He agreed that the City purchased the property with the idea that Morgan Hill's youth would have the opportunity to use these fields. It has been a goal of the Council that the outdoor sports complex is designed for organized sports use, but that it is not exclusively to be used for organized sports. The outdoor sports complex needs to accommodate the organized leagues and the teams that exist today and

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also accommodate community needs. This is not to be a private organization that one joins in order to use the facility. It is a facility that needs to be opened to the community. He acknowledged that scheduling is an issue. He noted that everyone is willing to work out the scheduling issues. Once these issues are resolved, the Council can address the public-private partnership issue. He said that other sports groups have come before the PRC who were not involved in the 18-month long process and are expressing an interest in the facility. He said that some PRC members are interested in exploring whether there should be a multi purpose use of the fields versus a specific use of the fields. He felt the Council needs to provide direction to the PRC on this issue. He noted that the deal points presented are specific to a public-private partnership that will require dialogue. However, he felt some of the other issues can be resolved outside the dialogue needed for the deal points.

Council Member Sellers felt that the layout of the site needs to be discussed. He noted that the concession area is located separately, and felt that a better use of the site could have been designed. He stated his support of the PRC's suggestion that the site be revisited. He also stated his support of CYSA's extension and that it should be pursued. He supported going back to the Sports Management Group and ask that they give consideration to the models presented. Doing so would give the Council a sense of whether it is enlarging the pie or enlarging the number of individuals who are trying to consume the smaller pie. Further, there needs to be some consistency with existing groups. He noted that there are strong active organizations in the community and that they all realize the opportunity that exists. He recommended that the City take advantage of the organizations. He noted that when the Council originally looked at the site, it was being oriented toward youth. However, he felt that there is a significant gap in what the City can provide to the community. He felt the City has a unique opportunity to take advantage of items that are being offered such that the community cannot do on its own as it would not be financially feasible to do so. There is also an opportunity to develop both ends of the spectrum to provide recreational services to the entire community and to enhance the City's economic position. He said that economic development successes occur when you expand and take advantage of those things that are within the realm of possibilities. He felt the City has a unique opportunity to develop as a recreational hub for the entire region. The City needs to have a vision in order to take advantage of the opportunity, but not sacrificing other elements. He agreed that there is a unique opportunity to develop an outdoor sports facility that meets the needs of the youth in the community to a larger degree. He recommended that this be taken to the next step as the City has a unique opportunity to develop an indoor recreation center. The City can use this facility as a catalyst to do more in other parts of the community that would further enhance economic development and recreational opportunities. It was his belief that both can be accomplished and that it is not an either or situation. He felt that the fees is where the gap lies and that it would be short sighted if creativity is not used to resolve the fee issue. He stated that he would support moving forward with the points addressed this evening. He recommended that the City be more creative and innovative in moving forward, as solutions may exist. He acknowledged the City cannot pay for the fees, but that he would like to find a solution.

Ms. Spier said that the CYSA would be willing to negotiate improvements with an extension in a lease through December 2006. Staff recommends four recommended actions as part of the CYSA lease.

City Manager Tewes indicated that at a previous Council meeting, the Council expressed an interest and directed staff to contact CYSA to determine whether or not they were interested in extending the lease.

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He stated that he met with the CYSA executive director and that the executive director made it clear that they would prefer an extension through December 2006. If the City is willing to extend the lease through December 2006, CYSA would be willing to allow a diminished use of the fields during the construction period. He informed the City Council that the executive director understands that the soccer fields would be fewer as construction proceeds. CYSA would also like to make improvements to the area (e.g., parking improvements). Staff indicated that the parking lot needs to be repaired as part of phase I construction. Staff would like to explore whether there are aspects of the phase I outdoor sports complex that can be done on an accelerated basis that would meet the City's goals as well as that of the CYSA to allow for the longer extension. He noted that the Council previously indicated a willingness to extend the CYSA lease to later than July 2006.

<u>Action</u>: On a motion by Council Member Carr and seconded by Council Member Sellers, the City Council unanimously (5-0) <u>approved</u> staff recommended action regarding the CYSA interim lease.

Council Member Carr noted that there has been some discussion about allocating some dollars to look at a possible realignment of the building.

Ms. Spier clarified that a study to look at the possibility of realignment of the building would be \$2,700. She noted that the CRG building alignment is fronting the Condit Road area and that the PRC recommends a Barrett Avenue alignment. She said that staff will also look at a San Pedro Avenue layout.

City Manager Tewes stated that the \$2,700 is a minimal investment to find out about additional options. He indicated that this is an option to be considered by the CRG. He indicated that CRG has informed the PRC and staff that their business model is best met when the buildings are aligned along the commercial road (Condit) versus the residential road (Barrett). He said that there would be planning issues as CRG would have to comply with compatibility issues with the residential neighbors located across the street. As a business matter, he was not sure as to the extent that CRG is still interested if the City insists on a different alignment.

Mr. Payne informed the Council that at the initial site layout and orientation meeting, it was indicated that there would be a potential to orient the building footprint in an east-west orientation. He understands that the baseball group has a preference to having the building change its orientation because of the blockage of the building to the outdoor baseball fields. He stated that the proximity of the main entrance adjacent to the parking lot would be the most efficient and cost effective way to locate the building, and would be attractive from an investment standpoint. He would agree to look at a reorientation and analysis of the impacts to the business and make a decision accordingly. He recommended that CRG and the City look at creating a synergistic solution together.

Council Member Sellers said that the distance to the concession buildings, parking lot and fields leaves a lot to be desired. He felt that there were gaps in the site layout and lack of usage in some key areas of the site. He recommended that these areas be revisited as well.

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Ms. Spier stated that CYSA was able to stay on the site because the City was not going to make any improvements on that side of the property. She said that several concessions were made to come up with the phase I design. For \$2,700, the City would only be asking Mr. Steinmitz to move the building 90 degrees and determine the impacts to the rest of the site. She stated that the PRC applied some criteria; stating that they would only agree to shift the building if it did not impact the fields and necessitate additional costs. If Mr. Steinmitz was asked to look at where concession buildings are to be located, it would be at an additional fee.

Mayor Kennedy inquired whether it made sense to have the Sports Management Group take a look at the interaction between the indoor recreation center and the sports complex as the City is looking at different orientation(s) of the building.

Ms. Spier expressed concern that the issue of "compete" versus "non compete" has not been answered. She said that CRG requires flexibility in their business plan. She felt that it may make sense to have an outside consultant review both plans and see where there is synergism and where there is competition.

City Manager Tewes addressed the deal points and how they would address the question of competition. He noted that in the March proposal by CRG, they identified a particular market niche that they were seeking. To the extent that there was an overlap, it would be minimal. He indicated that staff is proposing to enter into a 30-year lease. Staff felt that it would be appropriate to make sure that the early prospects of non competition be built in as a contractual obligation matter through an "operations and management plan." This plan would identify the contractual commitment by the private developer to operate the facility in a certain manner. He said that staff wanted to go beyond the initial representation that the two do not compete and convert this into a contractual obligation during the course of the lease.

Council Member Grzan stated that he is at the opposite end of where the Council is heading. He sees the community sports groups indicating a desire to make an attempt to manage the operations and costs of the sports complex facility. He recalls that the Parks and Recreation Master Plan states that the City needs to build for the community first. It also contained discouraging language about developing regional facilities. He did not believe that the City will be able to compete with other local facilities that may be building around Morgan Hill. He noted that this is 2.5 acres of land, and that he would like to see these acres developed to meet the needs of this community. He stated that he was not interested in economic development; noting that there are no documents in front of him to suggest that there are economic benefits from any of the City's facilities. He recommended that the Council focus on the youth of the community and have the facilities managed by these youth organizations. He recommended that the Council give staff time to work with the youth groups; returning with a proposal for the youth groups to manage the facility.

Action:

Council Member Carr made a motion, seconded by Council Member Sellers: 1) to <u>allocate</u> no more than \$3,000 to review other possible designs; and 2) <u>direct</u> the Parks & Recreation Commission to review the question of "multi use fields" versus "specific use fields."

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Council Member Carr did not want the Parks & Recreation Commission to redo the work that was done by a subcommittee over an 18-month period as a significant amount of work, time and effort was put forth. He stated that he would like to take a look at cost recovery to make sure that the City is not setting any non profit organizations up for failure. He wants to make sure that the complex is designed with cost recovery in mind. He noted that a Parks & Recreation Commissioner stated, at the last meeting, that the outdoor sports complex should accommodate the greatest needs, in terms of numbers. He felt that this comment hits the heart of what the Council was looking at when it decided to purchase the property. He acknowledged that the City's emphasis should be on youth, and that the greatest number of Morgan Hill participants.

Mayor Pro Tempore Tate felt the Council was moving out of sequence. Should the Coliseum Recreation Group decide not to move forward with the project, he did not know why the City should spend \$3,000. He felt the Council needs to decide whether it will adopt the deal points as presented so that CRG will know whether they want to proceed or not. Based on their decisions, the Council can study orientation of buildings.

Council Member Carr agreed to amend his motion to stipulate that review of the orientation of the building is not to proceed until such time the Council receives clarification whether or not the City would be moving forward with the concept before the Council this evening.

Action: Council Member Carr made a motion, seconded by Council Member Sellers, to qualify

<u>the motion</u> to stipulate that review of the orientation of the building is not to proceed until such time it is known whether the concept before the Council moves forward.

Vote: The qualified motion carried unanimously (5-0).

Action: Council Member Carr made a motion, seconded by Council Member Sellers, to direct the

leaders of the two youth sports group to work together; returning to the Council no later than October 2005 with a plan on how to resolve the governance issue, and a proposed

single entity to which the City can contract to operate the facility.

Council Member Carr felt that the two youth sports groups need to look at the original Council goals in purchasing the property and what it wants to do in moving forward with an outdoor sports complex. The groups are to indicate why they want to operate the facility and how the groups can come together with a joint management governance model in order to do so.

Mayor Pro Tempore Tate felt that the groups need to know what the deal points are before they can proceed. He did not believe the Council can delay the decision on the deal points beyond this evening's meeting.

Council Member Carr agreed that both groups need to know the deal points, and what will be an important qualifier. He felt that the two sports group will need as much time to agree on a joint management governance. He stated that whether or not the City has a private partner, the City will have an outdoor sports complex. He felt that the Council wants to contract with a non profit youth sports

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provider to perform the maintenance and operation of the facility. He felt that there may be changes down the road, but recommended that the City start working on the governance issue and see how they can be brought together. He clarified that the motion would stipulate operation of the facility with a private organization, public, and/or both; depending on the outcome.

Vote: *The motion carried unanimously (5-0).*

Mayor Kennedy recommended that the Council review the deal points as a package unless there are objections to specific deal points.

Mayor Pro Tempore Tate noted that the PRC and staff recommend that all costs and fees be paid and that the Coliseum Recreation Group have stated that this is one deal point they cannot accept.

Council Member Sellers stated that he would agree to move forward with the deal points if there is creativity in figuring out options for the fee structure such that it makes sense to all parties.

Council Member Grzan said that should the Council not be able to get past this deal point, you cannot proceed with the other deal points. He noted that it was Council's direction to not have this facility cost the city any more dollars. If CRG is unable to pay the development fees and are asking the City to pay the fees, he did not know how the Council can proceed.

City Manager Tewes referred to page 4, noting that staff suggests that the private company is responsible for applying for the land use entitlements, environmental assessment, site review permit, building permits and payment of all fees in accordance with the municipal code. He stated that it is the concept that private development bears the cost of private development and not the public. He said that there may be ways in which the payment of fees could be structured to address Council Member Sellers recommendation for creativity. The Council could amend the deal point to reflect creativity as long as it is made clear that it is not the taxpayers who are paying the cost of private development.

Council Member Carr noted that the Council has previously looked at private development in town and came up with ways to finance fees, and accommodate fee structures, such that taxpayers did not front the bill. The Council has been creative in the past and did a great job not to inhibit economic development. He felt the Council could be creative with this project such that the taxpayers are not paying the cost for private development. He recommended that the City figure out a financing structure or long term financing structure that might be accommodated by CRG. This would allow the City to move forward on this deal point. He stated that he would be supportive of trying to find some creativity within this deal point with the assumption that the fees are the private company's responsibility and not the taxpayers' responsibility. The City would be looking at ways to accommodate the fees.

Action:

Council Member Sellers made a motion, seconded by Mayor Pro Tempore Tate, to <u>approve</u> the deal points as recommended by the City Manager for the ground lease with a private commercial venture (blue matrix), with the understanding that the City will be as creative as possible in coming up with opportunities for the payment of the development fees.

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Council Member Carr indicated that the Parks & Recreation Commission felt that parking should not be the youth sports groups' responsibility, but that it be the City's responsibility. He noted that staff believes the sports groups should be responsible for the parking because they will reap benefits from parking with the possibility of charging parking for certain events. Doing so would provide them with an opportunity to collect funds for operation and maintenance. He recommended that the Council make a decision as to who will be responsible for the parking. He said that maintenance of a parking lot would be significant and a step above what the non profit groups can do. Maintaining the fields is one thing, and maintaining the parking lot would be a different issue. It needs to be clarified what the maintenance of the parking lot would entail.

City Manger Tewes said that staff believes there should be a connection between the responsibility for the maintenance and the opportunity to raise revenues. He acknowledged that the parking lot is in bad shape as it has not been maintained and drainage of water into the parking structure has created problems. Staff believes that the management of the entire complex impacts the need for maintenance of the parking lot. The need for maintenance can be minimized if the entire facility can be well managed. He said that the opportunity to raise money exits. He informed the Council that the youth sports groups want to manage the complex and that it is their belief that they can obtain, through private contracts and volunteer work, lower costs to maintain the facility versus the City. If the City was to maintain the parking lot, it would be inconsistent with one of the Council's goal that this would be a full cost recovery facility. Therefore, the City would need to budget general funds to meet the maintenance costs should the City take on this responsibility.

Council Member Sellers recommended moving forward with the City Manager's recommended deal points with the clarification on maintenance of the parking lot and the fee structure.

Council Member Grzan stated that he sees conflicts in the deal points between the different groups. He would like to see reconciliation between the City Manager's recommendation and the PRC recommendation. He would like to take the time needed to do this project right. He would hate to move forward and spend money only to find out the City did not do a good job. He stated that he would like the deal points addressed and reconciled.

Mayor Pro Tempore Tate said that he reviewed the PRC recommendation. It was his belief that the PRC recommendations contained a lot of clarification or adding information to what is being recommended by the City Manager. He did not believe that the deal points contain absolute resolution with staff's recommendation. Should the Council move forward with a general approach, he did not believe that the Council would be supporting one or the other recommendations.

City Manager Tewes said that staff did not reconcile staff's and the PRC recommendations. He said that it is staff's belief that its recommendations are appropriate.

Council Member Carr said that there was a lot of detail presented this evening. He stated that he is comfortable moving forward with the motion and the clarifications. He felt the PRC helped to clarify several items in the comments they made and brought out a lot of issues in the discussion they had with

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the youth sports group. He appreciates the concern about moving too fast, however, he felt the details were before the Council.

<u>Vote</u>: The motion carried 5-0. The motion included two clarifications associated with the creativity of development fee payments and parking lot maintenance.

Council Member Carr stated that he wanted to make sure the City accommodates groups that are not being accommodated in the outdoor sports complex through other city fields or School District fields. He recommended the City look at this concern comprehensively. He wanted to make sure that facilities are being used appropriately. If there are areas that the City needs to spend capital funds to make sure that the fields accommodate sports groups, these issues should work their way to the Council so that they can be considered; especially as the Council thinks about what is left in the RDA and other capital dollars. It may not be that the City is accommodating the greatest need on this acreage but is accommodating them through other City-owned or school district assets, through a partnership in order to meet all needs.

Council Member Grzan noted that there are computers and systems out there that can manage entire ball fields that would make sure that facilities are used to the fullest extent possible.

Council Member Carr indicated that he and Mayor Pro Tempore Tate, through the Public Safety & Community Services and the City-School Liaison Committees, could work with the School District toward a partnership for the use of facilities. He noted that the majority of these assets are owned by the School District, and that these assets need to be incorporated into the overall plan.

City Manager Tewes said that based on Council action, staff will advise the sports groups of the deal points adopted by the Council and the direction that the groups get together and develop a single proposal that addresses the Council's objectives; in accordance with the deal points. Staff to relay the deal points to the Coliseum Recreation Group and provide them with the opportunity to indicate the extent they would accept or reject the deal points. Staff to report to the Council the results of the acceptance or rejection of the deal points. Should the Coliseum Recreation Group accept the deal points, they are to provide the detailed information that was not provided as part of their initial proposal. This information would be necessary in order to make a recommendation on whether or not to proceed with an exclusive right to negotiate. Staff will contact the CYSA and negotiate an extension in accordance with Council direction. Staff will advise the City's architect, Mr. Stienmetz, to stand by regarding the review of the realignment of the private development until such time the City hears from the Coliseum Recreation Group as to their interest in moving forward. Staff is to find a common system for scheduling fields that would include the new fields at the outdoor sports complex, existing fields and School District fields. He said that he would be asking the Chamber of Commerce to provide additional information from the one remaining hotel. This information will be overlaid with the sports schedule. Staff is to provide the Council with a reasonable estimate on the economic impacts of the CYSA proposal.

Mayor Kennedy thanked the Parks & Recreation Commission and the sports teams for their efforts.

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Jeff Bernardini, speaking on behalf of the Morgan Hill Youth Sports Alliance, distributed a letter of intent and expense expectations from the outdoor sports complex to the Council.

Action: On a motion by Mayor Pro Tempore/Vice-chairman Tate and seconded by Council/Agency Member Sellers, the City Council/Agency Board unanimously (5-0) agreed to extend the meeting curfew of 11:00 p.m. to midnight.

21. RESOLUTION ALLOWING FOR INCLUSION OF THE UNINCORPORATED PORTION OF HOLIDAY LAKE ESTATES WITHIN THE CITY'S URBAN SERVICE AREA – Resolution No. 5936

Director of Community Development Molloy Previsich presented the staff report, recommending that the Council adopt a resolution that would allow for the inclusion of the unincorporated portion of Holiday Lake Estates within the City's Urban Service Area, and commit matching funds to assist with a sewer engineering and assessment district formation study at a cost not to exceed \$15,000.

Mayor Kennedy opened the floor to public comment.

John Milner, resident of Holiday Lake Estates and member of the Holiday Lake Estates Maintenance Association (HEMA) Board, indicated that HEMA will continue its responsibility of the roads and ditches. He stated that there are a number of homes close to Lake Anderson, and one of the reason LAFCo is interested in having a plan put together to address sewer versus the septic issue. He said that HEMA is looking toward building consensus among the homeowners to find a mechanism for funding the sewer system throughout Unit 1. He said that initial estimates have been conducted and that it is a sizeable assessment per home. He stated his support of the recommended action and urged the Council to adopt the resolution. He said that the additional \$15,000 in matching funds will help HEMA to prepare a study to help the homeowners understand what this means to them and grasp the costs associated with this. Also, to understand the different funding mechanisms that can be put together.

No further comments were offered.

Council Member Sellers said that the Public Safety & Community Services Committee had the opportunity to review this issue and was pleased that HEMA is in agreement.

Action: On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council unanimously (5-0) Adopted Resolution No. 5936, Allowing for and Requesting that LAFCO Include the Unincorporated Portion of Holiday Lake Estates within the City's Urban Services Area (USA).

Action: On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council unanimously (5-0) Committed to Provide, as Matching Funds to Property Owner Funds, \$15,000 from the Sewer Fund to Assist Holiday Lake Estates Property Owners with Costs Associated with Preparation of a Preliminary Engineering and Assessment District Formation Study.

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Redevelopment Agency and City Council Action

OTHER BUSINESS:

Agency/Council Member Sellers recommended that the Agency Board/City Council consider item 23 at this time.

Action: It was the consensus of the Agency Board/City Council to **consider** item 23 at this time.

23. MORGAN HILL DOWNTOWN ASSOCIATION (MHDA) FUNDING EXTENSION

Director of Business Assistance and Housing Services Toy presented the staff report on a request from the Downtown Association for an additional year of funding at \$97,500 and a request to roll over the loan given to the Association for the Property Based Improvement District (PBID) in the downtown area last year. He stated that staff recommends approval of the funding request.

Mayor/Chairman Kennedy opened the floor to public comment.

Dan Craig, Morgan Hill Downtown Association Executive Director, indicated that a lot of hard work was put forth with the PBID. He felt that the challenge was to raise enough money under the PBID to raise the Association to a new level and do more. During the PBID process, the Association found it necessary to expand the boundary of the area as the original area had too much to bear. The Association also reduced the budget, and yet maintained the scope of work the survey indicated was important. Also, during the process, it was found that the peripheral expansion area was not prepared to pay at the core area level. Therefore, the Association created two benefit zones: a premium and a standard zone. The association tried to do its best to get an assessment level that was feasible and doable. He noted that the Association had petitions signed that equaled \$41,000; consisting of 19 property owners. He felt that there is a commitment and that a significant headway was made toward a PBID. Given another chance, there will be a plan for restructuring and reconvening a meeting with property owners that may result in a positive outcome. He requested the Agency Board provide another year of funding.

Dan Ehrler, Executive Director of the Morgan Hill Chamber of Commerce, informed the Council that the Chamber Board of Directors voted unanimously to support the request for the continuation of funding for the Morgan Hill Downtown Association. This vote affirms the Chamber's belief that it is imperative that the Downtown Association maintains its structure, leadership and momentum. The Chamber agrees that with the additional extension of funding, the Downtown Association's story can be retold with a better result. He stated that the viability and future of the downtown depends on a structure that can be responsive to the focus area. He indicated that the Chamber will do everything it can to assist the Downtown Association. He informed the Council that the Chamber has not taken a position on the PBID as it has not come before the Chamber Board for specific action.

Gary Walton felt that downtowns are important to communities. He stated that the downtown is a destination and an economic engine. He acknowledged that the downtown is not all that it can be and

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has a long way to go, however, the potential exists. He felt that the investment the City has made in the Downtown Association will assist the downtown. He stated that individuals are committed and have a passion for what they want to create in the community. He thanked the Council for the support given to the downtown and recommended that the Council continue to work with the Downtown Association to achieve the downtown's potential.

Vice-chair/Mayor Pro Tempore Tate inquired how the City can assist in making sure the Downtown Association does not come back with the same request next year.

Mr. Walton felt the Downtown Association needs to make an objective determination whether it can be fully funded. He felt that the partnership will need to continue. He said that a PBID would be possible at some level. It may be that the Downtown Association can provide half the funding and the City may need to assist with the other half. He noted that the objective is to grow the downtown. When commercial and residential development grows in the downtown, the Downtown Association will have less need for City assistance. He noted that the money the City would be investing would go toward economic development and that a partnership is needed. He indicated that the Downtown Association will come before the Council and provide updates on activities and problems on a monthly basis.

Leslie Miles, former president of the Downtown Association, stated that it is important to have funding at this time. She indicated that she and her husband have invested in the downtown over the past few years. She said that the downtown manager provides emphases on economic development, coordinating with the City and other agencies, especially with downtown events and constructions. She stated that the Downtown Association is working toward the passage of the PBID. Exclusive of the PBID approach, she said the downtown manager is working with the City and for the City.

No further comments were offered.

Mayor Pro Tempore Tate stated his support of the Downtown Association and what they are trying to do. However, he was fearful that a year from now, the Downtown Association would go through another PBID process with businesses believing the City will bail the Association out again. He stated that he likes the approach and the admission that the Downtown Association made that they may not be self sufficient; necessitating the City's continued partnership. He stated that he would like to find a way to send a message in support of the request for funding and that the Downtown Association has to take on some responsibility to get the PBID passed. It was his belief that the partnership is the way to pass the BPID. He suggested that 95% funding be considered to clearly send a message that the City cannot fund the entire Downtown Association.

Council Member Grzan stated that he is supportive of the funding request and in assisting the Downtown Association in its effort. He acknowledged that this is a lot of money to appropriate in difficult economic times. However, he would like to show support for the downtown.

Mayor Kennedy stated that he would be supporting the funding request. He understands that there are a lot of challenges ahead, and thanked the Downtown Association for what it has done and will continue to do.

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Council Member Carr said that it takes more than one time to get support to move forward with significant visions and significant projects. He stated his support of the efforts of the Downtown Association and that he supports the City's continued partnership. He agreed that the Council/Agency Board needs to send a message that the City' taxpayers are not going to bail everyone out all the time as the City does not have an endless pot. It is his hope that the Downtown Association uses all means to communicate the importance for downtown groups to become involved and why the PBID is an important process. He recommended that the Downtown Association go back and review how it will improve the process. Further, that the Downtown Association look at the PBID itself. He said that he received comments about the allocation of dollars and where these dollars would be spent. There was a suggestion that more individuals be brought into the mix and to make sure that all the needs of property and business owners are met. He said that he would agree to assist in these efforts.

Council Member Sellers appreciated all the comments made this evening. He stated that he has been supportive and has been a liaison to the Downtown Association Board. He stated that he would not have been supportive of the effort this evening if he did not have confidence in the board, the time and energy they dedicate toward the PBID, and the vision they have in place. He felt that everyone has the same goal: improving the downtown and minimizing the involvement of City funds. He was confident that the Downtown Association would achieve this.

Action: On a motion by Agency/Council Member Sellers and seconded by Agency/Council Member Grzan, the Agency Board/City Council unanimously (5-0) Authorized the Executive Director to Negotiate, Prepare, and Execute an Agreement with the MHDA in an mount not to Exceed \$97,500, Subject to Agency Counsel Review and Approval.

Action: On a motion by Agency/Council Member Sellers and seconded by Agency/Council Member Grzan, the Agency Board/City Council unanimously (5-0) Authorized the Executive Director to Amend the Property Based Improvement District (PBID) Loan to MHDA to allow MHDA to use the Remaining Loan Proceeds for PBID Formation Activities in Fiscal Year 2005-2006.

22. POLICY ISSUES RELATED TO RESIDENTIAL AND COMMERCIAL DEVELOPMENT IN DOWNTOWN

Director of Business Assistance and Housing Services Toy presented the staff report, indicating that the Community and Economic Development (CED) subcommittee recommends encouraging residential and commercial development in the downtown. The CED subcommittee addressed the impact of the Residential Development Control System (RDCS) to the downtown. He said that the CED subcommittee believes that the downtown is in a key juncture where residential development is needed to revitalize the downtown. He indicated that the CED subcommittee has narrowed down options and recommends that the City Attorney provide an opinion as to whether residential units can be advanced from future years under the RDCS in order to be constructed as early as March 2007. He said that the CED subcommittee and Downtown Association believe that it would be prudent to await the results of the latest RDCS competition to be held in October 2005 before exploring any initiatives. He indicated

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that the CED subcommittee is also recommending that staff develop minimal submission requirements for the downtown as it relates to the RDCS. The CED subcommittee believes that impact fees could be inhibitors to commercial development in the downtown and recommend that staff be directed to look at developing a loan program, or that the Council consider ordinance revisions to minimize such fees. The CED subcommittee recognizes that funding for the programs identified is limited and has asked staff to put together a list of available funds that can be used for economic development activities. The funds could include \$700,000 in general unallocated redevelopment funds, the \$980,000 funds earmarked for the soccer complex and funds from economic development activities that are zeroed out. He said that staff has indicated that there is approximately \$2.5 million in funds available. The CED subcommittee is recommending that they be tasked with proceeding with a recommendation on the use of these funds.

Council Member Sellers said that although he believes the City may need to review and modify Measure C as it applies to the downtown in the future; he would like to take into account Mayor Pro Tempore Tate's comments and those of others who suggest the City take a look at what will happen in October 2005 with the RDCS application submittals before holding the discussion of modifying Measure C. He applauded staff for being creative in this endeavor. He stated that the CED subcommittee would like to ask the City Attorney if it is possible to advance units because it is vital to create a critical mass in the downtown. He recommended that a loan program be developed in order to defer costs for some of the smaller projects. He stated that the CED subcommittee would be looking at the overall economic development funding sources that remains available and determines the best allocation for these resources.

Mayor Pro Tempore Tate noted that the Pubic Safety & Community Services Committee is also endorsing the review of the \$980,000 to determine the best use of the funding pot.

Mayor/Chairman Kennedy opened the floor to public comment.

Ralph Lyle informed the Council that he was not representing the Planning Commission, but is expressing his own views. He stated that he is in support of downtown development, but not in support of a ballot measure. He did not believe that the direction for the downtown is to allocate 200 units in one year. It was his belief that the direction is to make sure that the downtown projects are fully allocated so that there are no uncertainties in the process, and that there are sufficient numbers to meet the market demands. It was his belief that the market would only absorb so many units in the downtown. If the City exceeds the numbers, he felt that it would create an imbalance in the plan. He did not know how the City could allocate 2009-10 allotments in 2007-08. He said that it has always been the intent of the growth control measure to award allocations evenly each year. He addressed the available allocations in the upcoming years. He said that there are solutions to assist downtown housing. He recommended the following: 1) Council to reserve downtown and affordable allotments for 2009/2010. 2) For 2008/09, there are 7 unused micro and small project allotments. The Council could reassign these allotments to the downtown, canceling the competition for that year. 3) The Council could consider transferring some of the 60 affordable allotments from Fiscal Year 2008-09 to the downtown. 4) The Council could also consider changing the allotment year; consider exchanging allotments to a project ready to build versus granting extensions to building allocations. 5) The Council could consider the Planning Commission's recommendation to adopt polices to facilitate allocation exchanges. 6) The Council could strengthen the

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policy direction given to fully allocate a project, whenever possible. He felt that developers and banks would like to move forward cautiously with the first year of downtown development. Adopting some of the ideas he presented and moving forward with other actions taken by the Council would place the downtown in great shape. He felt that these suggestions would be better versus placing an initiative which, on the short term, would override something that has been developed over a long period of time and with much more public involvement; particularly in an election year that would have a small voter turnout.

Leslie Miles said that there needs to be an understanding of what the allotments are all about. She said that the allotments are about how many individuals will be in the community by year 2020. As you look at the downtown and the adjacent neighborhoods, it was felt that important for the Council and Planning Commission to visit the downtown to see what is taking place in the downtown. She said that there is a different type of family that moves into the downtown (e.g., 1 or 2 person families). She stated that the Downtown Association has expressed an interest in proceeding with Measure C this fall to see how it goes and reconvene to discuss a ballot measure if it does not work well. She wanted the Council to keep in mind that there is a difference in allotments and the number of people the city is ultimately looking for to reside in the community.

Director of Community Development Molloy Previsich informed the Council that at last night's Planning Commission meeting, the Commission discussed the matter of flexibility for downtown residential allocations. They discussed a memo prepared by staff that advised that Measure C was amended last year to allow the Council, if it chooses, to divide the allotments according to geography, price, development size, and phasing; including the timing of allotments required to complete a project. The Commission discussed the interpretation and findings that could be made to address the timing of allotments as well as the possibility of an exchange program and ballot measures. At the end of their discussion, the Commission felt that it would be a good idea to explore the timing interpretation within Measure C for flexibility and timing of allotments before placing a measure on the ballot. Once applications are filed in October, an applicant could request an adjustment of timing, if needed, to complete their project. The Council could make findings to adjust the timing of allocations.

No further comments were offered

Council Member Carr said that the CED subcommittee looked at the barriers to competing against the goals of the Downtown Plan; specifically residential development. He said that there are fees charged to participate in the RDCS competition. The CED subcommittee is suggesting a loan program for application and impact fees for residential and mixed used downtown projects. He felt that everyone understands that this is a different housing product than what has been built in Morgan Hill. If a developer only receives half of the allocations needed, a downtown project would not move forward. He addressed the timelines and funding mechanisms that are needed for this type of development. He said that the CED subcommittee is suggesting that the Council ask the City Attorney to provide an opinion on whether the units can be advanced. He noted that Mr. Lyle said that there are 100 units available for the October 2005 competition for permits to be pulled in March 2007. He felt that this was a good start, but that this would not get the City where it wants to be. He wanted to know how the City could make another 100 allotments available for the next competition where permits can be pulled as

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quickly as possible to get to the point of seeing the residential units identified in the Downtown Plan built as soon as possible.

<u>Action</u>: By consensus, the Council <u>supported</u> the loan program and <u>allocation</u> of funds for economic development activities.

Council Member Sellers felt the Council needs to continue to evaluate the standards and criteria that will allow flexibility in design.

Mayor Kennedy recommended that a temporary staff position be assigned to help get the downtown projects through the RDCS process.

Council Member Sellers noted that staff offers to provide preliminary review of Measure C projects and recommended that downtown projects be encouraged to meet with staff and take advantage of the preliminary review process.

Mayor Kennedy recommended the Council take advantage of the work done by the Planning Commission, looking at exchanging allotments and addressing timing issues. This is to be folded into the work the Council is requesting staff to do.

Action: On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council unanimously (5-0) <u>requested</u> that the Interim City Attorney provide an opinion on how the City can maximize residential units.

City Council Action (continued)

OTHER BUSINESS:

24. <u>APPOINTMENTS TO FILL VACANCIES ON THE ARCHTECTURAL REVIEW BOARD (ARB); LIBRARY, CULTURE & ARTS COMMISSION; MOBILE HOME RENT COMMISSION; AND PLANNING COMMISSION</u>

Mayor Kennedy indicated that he distributed a letter to the Council that identifies his recommended appointments as follows: ARB: James Fruit; Rod Martin; and Jerry Pyle; Library, Culture & Arts Commission: Sylvia Cook; Mobile Home Rent Commission: Swanee Edward (at large vacancy) and Robert Koehler (owner/representative); and Planning Commission: Geno Acevedo, Robert Benich, and Mike Davenport.

Mayor Kennedy indicated that Robert Benich and Mike Davenport received the highest number of recommendations from the City Council and that Geno Acevedo and Kyle Baker received an equal number of recommendations to fill the third vacancy. He stated that it is his recommendation that Geno Acevedo be appointed based on his experience.

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Council Member Sellers stated his support of Mayor Kennedy's recommended appointments with the exception of Planning Commission appointments. He said that the Council interviewed outstanding applicants. He expressed concern that Mr. Acevedo does not reside within the City Limits and that he is significantly involved with the City on a downtown project and with a non profit organization that is very involved in the community. He felt that there is a potential for these to become issues. He noted that there are extremely qualified applicants, particularly Mr. Baker, and that it was important to bring fresh blood to the Planning Commission. He recommended that Mr. Baker be considered for appointment to the Planning Commission.

Mayor Kennedy agreed that there were a lot of excellent candidates willing to serve on the Planning Commission. However, he noted that Mr. Acevedo has experience and is currently serving on the Planning Commission and that this swayed his decision.

Mayor Pro Tempore Tate stated his support in the reappointment of Mr. Acevedo to the Planning Commission as he brought different perspectives to the forum. He understands the concerns about potential conflicts of interest. However, he noted that other individuals may have conflicts of interest. He did not have a problem in appointing a non city resident. He acknowledged that Mr. Baker is also a qualified applicant.

Council Member Carr did not believe that the new process worked well as it extended the interview process. He felt that the time spent on talking about the qualities Council members want in commissioners was a discussion the Council should have held at the beginning of the recruitment process. He noted that not every Council member voted for 3 plus 1 in the planning commission appointment process. He followed the 3 plus 1 process. Had he not followed this process, he felt the outcome would have been different. He felt the Council was fixing a process that was not broken. He stated that he would like to return to the previous process, with some modifications. He said that he would have liked to see ranking of the applicants.

Mayor Kennedy felt that the process worked well and that the questions asked by Council members were relevant because the Council had time to discuss timely issues of concern. The fact that one of the applicants was the vice-chair to the Planning Commission and was ready to move to the Chair's role was disclosed

Interim City Attorney Siegel suggested that the Council decide how long it wishes to continue its meeting.

Mayor Kennedy recommended continuation of the closed session item regarding performance evaluation. He recommended that the meeting curfew be extended by 15 minutes.

<u>Action</u>: On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council unanimously <u>agreed</u> to extend the meeting curfew to 12:15 a.m.

Mayor Pro Tempore Tate agreed that the plus 1 did not work. He felt the Council could design the questions to be asked in advance.

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Mayor Kennedy stated that there were good comments made by the Council in the meeting prior to conducting the interviews (e.g., require incumbents to submit a complete application, identification of the qualities and traits of applicants, etc.).

<u>Action</u>: On a motion by Mayor Pro Tempore Tate and seconded by Council Member Sellers, the

City Council unanimously (5-0) <u>ratified</u> the Mayor's appointment as follows: ARB: James Fruit, Rod Martin, and Jerry Pyle; Library, Culture & Arts Commission: Sylvia Cook; and Mobile Home Rent Commission: Swanee Edward (at large) and Robert

Koehler (owner/representative).

Action: On a motion by Mayor Pro Tempore Tate and seconded by Mayor Kennedy, the City

Council <u>ratified</u> the Mayor's appointment of Geno Acevedo, Robert Benich, and Mike Davenport to the Planning Commission. The motion carried 3-2 as follows: Ayes: Carr,

Kennedy, Tate; Noes: Grzan, Sellers.

25. PROPERTY TAX ADMINISTRATION GRANT PROGRAM (PTAP)

Mayor Kennedy presented the staff report, indicating that Santa Clara County Assessor Lawrence Stone requests that local jurisdictions contact State legislators to request continued support for the Property Tax Administration Grant Program funding.

Mayor Pro Tempore Tate indicated that the Finance & Audit Committee recommends that support letters be sent to legislators.

Council Member Carr inquired whether there was any concern or indication that these funds are being eliminated so that the vehicle license fees would come back to cities sooner.

Mayor Pro Tempore Tate responded that the Committee does not want to loose property taxes and wants to receive the vehicle license fees.

City Manager Tewes informed Council that the City received a check for its vehicle license fees today.

Action: On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the

City Council unanimously (5-0) <u>Directed</u> the Mayor to Send Letters to State Legislators

Urging Continuation of the Property Tax Administration Grant Program.

FUTURE COUNCIL-INITIATED AGENDA ITEMS

Mayor Kennedy inquired whether the Calpine Bay Area Quality Air Management District is scheduled to make a presentation on August 3, 2005.

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City Manger Tewes informed the Council that the Bay Area Air Quality District would be making a presentation on August 3. He indicated that he was not sure if the District's report would relate to Calpine.

Mayor Kennedy stated that the primary purpose for inviting the Bay Area Air Quality District was to ask them about the requirement for the installation of a monitoring station south of the Calpine plant. He said that that it was his understanding that this requirement has not been satisfied.

Council Member Grzan recommended that the Council consider holding a ½ day retreat to see where the Council is with regards to the goals and objectives it adopted in January 2005. He also has an item he would like to discuss with the Council.

Redevelopment Agency and City Council Action

CLOSED SESSIONS:

Due to the lateness in the hour, the City Council did not conduct closed sessions.

1. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Authority: Government Code Sections 54956.9(b) & (c)

Number of Potential Cases: 2

2.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Authority Government Code 54957

Public Employee Performance Evaluation: City Manager

Attendees: City Council, City Manager

ADJOURNMENT

There being no further business, Chairman/Mayor Kennedy adjourned the meeting at 12:10 a.m. in Memory of Michael Crocker.

MINUTES RECORDED A	AND PREPARED RV.
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IRMA TORREZ, AGENCY SECRETARY/CITY CLERK

Submitted for Approval: August 24, 2005

CITY OF MORGAN HILL JOINT SPECIAL AND REGULAR CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES – AUGUST 3, 2005

CALL TO ORDER

Mayor Pro Tempore/Vice-chairman Tate called the special meeting to order at 6:00 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Grzan, Sellers, Tate and Mayor/Chairman Kennedy

Late: Mayor/Chairman Kennedy and Council/Agency Member Carr (both arrived for closed

session discussion)

DECLARATION OF POSTING OF AGENDA

Mayor Pro Tempore/Vice-chairman Tate certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

City Council and Redevelopment Agency Action

CLOSED SESSIONS:

Mayor Pro Tempore/Vice-Chairman Tate announced the below listed closed session items:

1

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Authority: Government Code Sections 54956.9(b) & (c)

Number of Potential Cases:

2.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Authority Government Code 54957

Public Employee Performance Evaluation: City Manager

Attendees: City Council, City Manager

OPPORTUNITY FOR PUBLIC COMMENT

Mayor Pro Tempore/Vice-Chairman Tate opened the Closed Session items to public comment. No comments were offered.

ADJOURN TO CLOSED SESSION

Mayor Pro Tempore/Vice-Chairman Tate adjourned the meeting to Closed Session at 6:04 p.m.

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RECONVENE

Mayor/Chairman Kennedy reconvened the meeting at 7:05 p.m.

CLOSED SESSION ANNOUNCEMENT

Interim City Attorney/Agency Counsel Siegel announced that no reportable action was taken in closed session.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

At the invitation of Mayor/Chairman Kennedy, George Nale led the Pledge of Allegiance.

RECOGNITIONS

Mayor Kennedy presented Certificates of Recognition to Walt Glines, retiring Editor of the Morgan Hill Times and Carol Holzgrafe, retiring City Hall Reporter of the Morgan Hill Times. He expressed the Council's sincere appreciation for their years of working with the City to bring local issues before the community.

INTRODUCTIONS

Director of Public Works Ashcraft introduced new Public Works employees Charlie Ha, engineer; Ernie Wilson, groundskeeper; Lemo Huizar, maintenance worker I; and Mario Iglesias, utility manager.

RECOGNITION

Mayor Kennedy presented retiring Planning Commissioner Charles Weston with a gift of appreciation for his years of service to the City and community as a member of the Planning Commission.

CITY COUNCIL REPORT

Council Member Grzan thanked Ms. Holzegrafe, Mr. Glines and Mr. Weston for their outstanding service and contributions to the community. He reported on the Financial Policy Committee and the Environmental Utilities Committee. He stated that both of these committees are extremely active, looking for solutions and issues in the community. He said that in the last couple of weeks, the Council has approved a number of items, including policies that enhance the City's waste management, and preserving creeks & streams associated with development. He indicated that many hours are spent by staff and Council members in the review of these issues in order to bring solutions to the Council. He stated that the Financial Policy Committee is at a critical stage and is looking toward solutions to the City's economic issues, deficit, budget and problems. The Committee is in the process of looking for a consultant to assist the City with the conversation that it will have with the community to hear what

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citizens would like Morgan Hill to be; what issues, solutions, and choices the City has; and inviting the community to participate in these discussions. He said that the City will be making a decision soon to bring on board a professional to assist the City and initiate a conversation with the community. He thanked Mayor Pro Tempore Tate for taking a leadership role in this process and that it is his hope that the City will have a fruitful outcome.

Mayor Pro Tempore Tate said that the Financial Policy Committee is reviewing proposals from executive search firms for the City Attorney recruitment and that the Committee will be returning to the Council with a recommendation on August 24.

Council Member Carr stated that the Public Safety & Community Services Committee met on Monday morning and talked about how the Council will be addressing issues and looking at work plan items. He said that the Committee will be bringing an item before the Council to talk about the reporting roles from some of the Commissions and Committees and how they report to the Council on August 24.

CITY MANAGER REPORT

City Manager Tewes stated that he did not have a report to present this evening.

CITY ATTORNEY REPORT

Interim City Attorney Siegel indicated that he did not have a report to present.

OTHER REPORTS

PUBLIC COMMENT

Mayor/Chairman Kennedy opened the floor to public comments for items not appearing on this evening's agenda. No comments were offered.

City Council and Redevelopment Agency Action

CONSENT CALENDAR:

Council Member Sellers requested that item 3 be removed from the Consent Calendar.

Action: On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council unanimously (5-0) Approved Consent Calendar Items 1, 2 and 4-6 as follows:

1. <u>APPROVAL OF SETTLEMENT AGREEMENT FOR TENNANT AVENUE WIDENING PROJECT</u>

<u>Action:</u> <u>Ratified</u> Settlement Agreement for the Hernandez Property (APN: 817-04-006) as Identified in the Staff Report.

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2. <u>AMENDMENT TO COST SHARING AGREEMENT WITH SANTA CLARA VALLEY WATER DISTRICT FOR LLAGAS CREEK FLOOD PROTECTION (PL 566)</u> TECHNICAL STUDIES

<u>Action:</u> 1) <u>Approved</u> Appropriation of \$40,000 from Current Year Unappropriated Drainage Fund (304, Non-AB 1600) Balance for this Project; and 2) <u>Authorized</u> the City Manager, Subject to City Attorney Review and Approval, to Execute an Amendment to a Cost Sharing Agreement with the Santa Clara Valley Water District Increasing the City's Share by \$40,000.

4. ADOPT ORDINANCE NO. 1732, NEW SERIES

<u>Action: Waived</u> the Reading, and <u>Adopted</u> Ordinance No. 1732, New Series, and <u>Declared</u> That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN R-2/RPD ZONING AMENDMENT TO ESTABLISH A RESIDENTIAL PLANNED DEVELOPMENT OVERLAY ON A 10.44 ACRE SITE LOCATED ON THE SOUTHWEST CORNER OF EAST DUNNE AVENUE AND SAN BENANCIO WAY. (APNs 817-11-067 & 817-11-072).

5. ADOPT ORDINANCE NO. 1733, NEW SERIES

<u>Action: Waived</u> the Reading, and <u>Adopted</u> Ordinance No. 1733, New Series, and <u>Declared</u> That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING DEVELOPMENT AGREEMENT, DA 04-09 FOR APPLICATION MP-02-06: EAST DUNNE - DEMPSEY & MP-04-12: EAST DUNNE - DELCO (APNs 817-11-067 & 817-11-072).

6. ADOPT ORDINANCE NO. 1734, NEW SERIES, AS AMENDED

<u>Action: Waived</u> the Reading, and <u>Adopted</u> Ordinance No. 1734, New Series, As Amended, and <u>Declared</u> That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING THE MORGAN HILL MUNICIPAL CODE, CHAPTER 18.50 OFF-STREET PARKING AND PAVING STANDARDS, TO ESTABLISH EXEMPTIONS FOR DOWNTOWN DEVELOPMENT PROJECTS.

3. REQUEST TO CO-SPONSOR CENTENNIAL EVENTS AT THE COMMUNITY AND CULTURAL CENTER

Council Member Sellers noted that the staff report identifies events to take place: Centennial Days event and the Incorporation Reception to be held November 10, 2006. He indicated that the staff report talks about the fact that the City Council has an adopted cost recovery policy and that staff does not recommend the Council waive fees for the use of the Community & Cultural Center. The Council also has a policy regarding the unallocated general fund reserves, the funds being requested to pay for the use of the facility. He said that it is his understanding that it is the Council's policy that the general fund

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reserves are to be used for one time fees for activities that promote economic development. He stated that as audible as this activity is, and as supportive all Council members are of the centennial events, he wanted to make sure that the Council was not allowing a significant deviation of the Council's policy merely to proceed with these activities.

City Manager Tewes stated that he did not believe that staff's recommendation deviates from Council policy. He said that the Council has a policy with respect to the General Fund reserves such that it is the Council's goal to have no less than 25% of annual revenues in a reserve status. The Council has indicated that below this amount, the Council would be willing to make investments in projects, such as economic development, that have high rates of return or improvements. He informed the Council that the City is still above the 25% level. Therefore, resources exist and need to be evaluated in the context of any other general fund expenditure.

Council Member Sellers stated that he wanted to make it clear why the Council would be undertaking this action.

Action:

On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council unanimously (5-0): 1) <u>Agreed</u> to Co-Sponsor Centennial Morgan Hill Committee's Centennial Events at the Community & Cultural Center; and 2) <u>Appropriated</u> \$10,000 from the General Fund Reserves.

Redevelopment Agency Action

CONSENT CALENDAR:

Council Member Grzan requested that item 7 be removed from the Consent Calendar.

7. <u>CHAMBER OF COMMERCE ECONOMIC DEVELOPMENT MARKETING PLAN</u> FOR FISCAL YEAR 2005-2006

Agency Member Grzan noted that the Chamber of Commerce has come before the City Council on a number of occasions regarding this same issue. He expressed concern regarding the goals that implement business retention and attraction programs. In reviewing the information presented, he stated he does not have a sense of how many businesses are being retained and how many new businesses were attracted by the promotional campaign initiated by the Chamber of Commerce. He inquired whether the City would receive quantifiable return on investment information.

Bob Martin indicated that the Chamber of Commerce worked with staff to develop a set of matrices that have been recognized and accepted by the Council approximately nine months ago. He said that should there be a Council desire to review the matrices, it can be done. He stated that the best matrix the Chamber of Commerce has is the sales tax and sales tax cash receipts. He noted that these are at an all time high. To say directly that the Chamber of Commerce's efforts is a result of this, he realizes would be somewhat dismissive. On the other hand, it was his belief that part of this was in direct response to

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the Chamber's efforts. If the matrix that the Chamber has put forth is not acceptable to the Council, the Chamber can look at different matrices.

Agency Member Grzan stated that although he would support staff's recommended action, he would be looking for quantifiable return on the investment in the reports to be provided to the Council. He would like to know how many businesses have been retained and recruited in the community.

Mr. Martin said that the Chamber of Commerce's economic development committee assisted with the recruitment of a business that shares the building with the police facility. He informed the Council that every quarter up to this quarter, the Council has been provided a matrix. It was the Chamber's belief that the Council received the year end matrix from the City; the source of some of the Chamber's measurement.

Action:

On a motion by Vice-chairman Tate and seconded by Agency Member Sellers, the City Council unanimously (5-0) <u>Authorized</u> the Executive Director to Prepare and Execute an Agreement, in an Amount not to Exceed \$125,000, with the Morgan Hill Chamber of Commerce to Implement their Economic Development Marketing Plan for Fiscal Year 2005-2006; Subject to Review and Approval of Agency Counsel.

City Council and Redevelopment Agency Action

CONSENT CALENDAR:

Action:

On a motion by Council/Agency Member Sellers and seconded by Mayor Pro Tempore/Vice-chairman Tate, the City Council/Agency Board unanimously (5-0)

<u>Approved</u> Consent Calendar Item 8 as follows:

8. JOINT SPECIAL AND REGULAR CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES OF JULY 20, 2005

Action: Approved the Minutes as written.

City Council Action

PUBLIC HEARINGS:

9. GENERAL PLAN AMENDMENT, GPA-04-07 AND ZONING AMENDMENT, ZA-04-14
FOR SUNSWEET OPPORTUNITY SITE, TO ESTABLISH DENSITY OF 25-40 UNITS
PER ACRE AND PLANNED UNIT DEVELOPMENT ZONING AND DESIGN
GUIDELINES, TO IMPLEMENT THE DOWNTOWN PLAN – Resolution No. 5937 &
Ordinance No. 1735, New Series

Director of Community Development Molloy Previsich presented the staff report, informing the Council that a resolution to amend the General Plan to establish a density range of 25-40 units per acre for the

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area identified in the Downtown Plan as the "Sunsweet" opportunity site is before it for consideration. Also, before the Council is an ordinance that would establish a planned unit development (PUD) zoning for the site that would establish the allowable uses, development standards, and design guidelines that would apply to future development. She informed the Council that the PUD would allow for only 25% ground floor leasable areas along the Third Street frontage to be used for office or personal service without a conditional use permit. This would ensure an active pedestrian friendly relationship. Above the 25% threshold, a conditional use permit would be required. She stated that a supplemental report has been provided to the Council that reviews technical corrections that came about following discussions with the property owners. She indicated that the resolution and ordinance need to be modified to correct the listing of assessors parcel numbers. Also, for clarity in the General Plan amendment text language in the resolution and for the ordinance's residential density standard, private parking areas would be included in the density calculation, but not in the area designed for public parking. She said that within the design guidelines and the parking and circulation guidelines, the property owner would need to design and provide public parking. Since the downtown parking text amendment has been adopted, she stated that commercial parking spaces are no longer required. She stated that staff supports the deletion of the words "...and provided" as public parking will not need to be provided for commercial uses. She indicated that staff has also been informed by the property owner that he intends to request the requirement for minimum ground floor frontage commercial square footage be reduced from the 10,000 square feet recommended by the Planning Commission to an 8,000 square foot minimum. She informed the Council that staff has not seen material to support the request. She noted that the Council received communication from the Downtown Association Board of Directors who indicate their support of the designation of a PUD, and are urging that density occur at 40 dwelling units for acre. They oppose the 25% allowance for ground floor office uses as permitted uses and are requesting an additional requirement that the commercial-retailer, entertainment and restaurant space planned for Third Street be constructed at the same time as residential development.

Council Member Sellers inquired as to the length of the frontage section on Third Street.

Ms. Molloy Previsich responded that the area that is controlled by Mr. Garcia, less the Morgan Hill Times building, is approximately 400 linear feet. She stated that there is no requirement for commercial or guest parking due to a recent parking ordinance amendment, but that two parking spaces would be required per residential unit.

Council Member Sellers noted that the Planning Commission discussed the 25-foot depth as a minimum depth for commercial development along Third Street. He inquired whether this standard was included in the recommendations.

Ms. Molloy Previsich said that Mr. Garcia has stated, in consultation with his architect, that he was estimating that commercial depths along Third Street would range between 25–40 feet. The Planning Commission determined that given there is 400 linear feet of frontage, commercial development would range between 8,000 to 12,000 square feet. The Planning Commission selected the middle number of 10,000 square feet as a minimum requirement based on the range in depth of 25-40 feet. The Planning Commission decided not to include in the ordinance a minimum depth standard. They established the

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total square footage as a minimum requirement, but thought it would be acceptable to wait architectural and site review to review the floor plans to see if the depth would work with commercial development.

Council Member Sellers said that in the development of the Downtown Plan, it has always been the intent that the Third Street frontage would develop as commercial. In reviewing the Planning Commission's discussion, they did not talk about having the entire frontage, minus access to second floors, driveways, or addressed this issue. He inquired whether it would be possible to have a 40% depth commercial space and have three units of residential next door.

Ms. Molloy Previsich stated that the property owner did not believe that a 100% requirement was workable/feasible, and did not want a conditional use permit requirement to be included. The Planning Commission considered Mr. Garcia's request and a number of different approaches to this issue. She said that the only residential aspect would be a stairway going up to the residential units along the frontage. She clarified that no residential units would be allowed on the Third Street frontage.

Mayor Kennedy indicated that the Downtown Association opposes the 25% exemption for ground floor office use in the 10,000 square foot minimum on the Third Street frontage. He noted that it is being proposed that there be a 10,000 square foot requirement for retail on the first floor.

Ms. Molloy Previsich clarified that what is being proposed is 10,000 square feet of non residential uses. There is a question of how far back you go with commercial space. She said that it was necessary to clarify how much commercial space is to be included in the project. She indicated that Mr. Garcia provided input that he expects that the depths of the space along the frontage would range from 25-40 feet. It will not be commercial 100 feet back from the street frontage. The Planning Commission discussed this issue and felt that a 25-40 foot setback is a reasonable range and that this could be explored further at the site and architectural review process. She informed the Council that the Planning Commission felt it was important to establish a minimum of 10,000 square feet of commercial development in order to achieve a real amount of commercial square footage with this project.

Mayor Kennedy inquired whether the project meets the Downtown Pan with respect to the commercial-retail frontage along Third Street.

Ms. Molloy Previsich said that the Downtown Plan states that retail is strongly encouraged to the point that any office use would require a conditional use permit. She noted that the conditional use permit process would require time and money and could be perceived as a disincentive to moving a project forward. The Planning Commission discussed all these factors and decided that a good compromise would be to require that development along the Third Street frontage to be non residential and established a minimum of 10,000 square feet along this frontage; only allowing 25% of this square footage as office space, or personal service. She indicated that the Planning Commission felt this would strike the right balance and be consistent with the Downtown Plan.

Council Member Carr expressed concern that as the project is developed that it not be developed with the idea that 25% will be office use. He recommended that development along the Third Street frontage

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be designed as commercial retail space. If the owner is having difficulty leasing space out and is forced to look at other uses, this is when the 25% would be considered.

Ms. Molly Previsich stated that the design guidelines address the requirement of retail store front space. Further, that development is to be inviting, pedestrian friendly and accommodate good retail uses.

Council Member Grzan referred to the building design and inquired whether development would be consistent and follow the theme of the downtown.

Ms. Molloy Previsich said that the design guidelines are intended to guide an architect to design a project consistent with what the City is looking for in the downtown. This will be determined when a developer submits a project for site and architectural review. She stated that part of the PUD guidelines point the developer in the right direction of what the City is looking for. She felt that there is sufficient information in the design guidelines to draw upon a design that meets the downtown plan requirements and the current downtown. She indicated that the PUD guidelines could address the desire to change the parking requirements.

Mayor Kennedy opened the public hearing.

Barton Hechtman, representing Glenrock Builders, owner of the majority of the Sunsweet property, indicated that this issue was before the Council six months ago. At that time, he felt that the draft PUD ordinance was rigidly cast such that he and the owner of the Sunsweet site had significant concerns. The Council continued the item to allow them to work out the issues with staff. He indicated that the last six months have been productive; working cooperatively with staff and the Planning Commission. He felt that a project has been shaped that is economically buildable. Further, with the right cooperation between the Redevelopment Agency and Glenrock Builders, he can see this action take place.

Mr. Hechtman said that there is one issue that still concerns Glenrock Builders. He addressed the 10,000 square foot minimum ground floor frontage requirement. He stated that he is not opposed to trying to achieve the 10,000 square foot minimum. However, the property owner is confident that he can meet the 8,000 square feet and will try to achieve 10,000 square feet. He requested that the Council amend the middle of page 2, Minimum Ground Floor Frontage to delete "a minimum of 10,000 square feet" and replace this phrase with "development is encouraged to include up to 10,000 square feet, but in no event, less than 8,000 square feet...." He addressed the square footage constraints that may prevent committing to the 10,000 square feet. He noted that there is 400 feet of frontage running down Fourth and Third Streets with 200 feet of width around Depot Street. He said that the first 70 feet has to be set aside for public parking, 26 foot drive lanes, and landscaping. This leaves you with 330 feet of frontage. Out of these 330 feet, you will have walkways/stairway entrances up to the second and third floor locations. He noted that Measure C provides points for a mid point block pass through. He felt that an open area may be required in order to obtain Measure C points and be competitive with other downtown projects. He said that these requirements chip away at the 330 foot frontage available. In addition, you have to look at the depth of the building along Third Street. He stated that in order to get 50 residential units on 2+ acres, the likely design would be a u-shaped building with another central building and a driveway. The garages would be tucked under the building, taking up part of the square footage. Therefore, the retail

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spaces would be 20 feet narrower and the project would be squeezed. As the project has not been designed, he was not confident that development can achieve 10,000 square feet. He stated that he can commit to providing 8,000 square feet of commercial/retail space. However, he requested leeway and that the developer be encouraged to provide 10,000 square feet with a minimum of 8,000 square feet.

Dan Craig, Downtown Association, felt that staff covered the Association's points. He said that when the Downtown Association reviewed the proposal and developed its position points, they did so based on the Downtown Plan. He stated that the Association is in agreement with the square footage limits. He indicated that the Association believes the Council needs to defer to the Downtown Plan. He noted that the Downtown Plan stipulates a ground floor restriction along the entire Third Street frontage from Monterey to Depot Street. He felt that it was important to have the retail-commercial, restaurant and entertainment continuity along the entire block. He stated that it is hard to determine how much commercial square footage the block would accommodate. He stated that he is not free to speak for the Downtown Association Board regarding the request to reduce the commercial square footage to 8,000 square feet.

Mr. Hechtman said that he does not have a problem building the Third Street bottom floor at the same time as the upper level as it is proposed to be designed as one building. Regarding the 40 dwelling units per acre, he stated that this type of product is not doable in this market. He said that he understood why the Downtown Association would like more residential units in the downtown. However, he felt that this would be too dense for the area. He stated that Glenrock Builders believes the project is buildable and saleable at 25 dwelling units per acre. However, to pack 80 units on the site would result in the units being too small and no one will want them.

No further comments being offered, the public hearing was closed.

Council Member Sellers stated that he considers this property ground zero for the entire downtown. If this property was important 10 years ago, he felt it was more important today. He said that as this property goes so does the City's prospect for attracting the courthouse patrons who will visit the downtown and use what is developed on Third Street. He stated that there are several key properties that are considering development. He said that this property will be looked at for its high standards by subsequent development. He felt that the applicant has met the high bar set by the Council. He said that there were a couple of items that were important to discuss and consider this evening. Regarding the commercial aspect, he stated that he had the opportunity to attend a mixed use development seminar in Monterey where it was stated that the depth of commercial is critical. He felt that the design of the commercial along Third Street will be critical to its success. If the City designs the depth of the commercial such that it is not deep enough or does not have the right quality, it will be a de facto situation. He recommended the Council think about the overall layout of development. He stated that the reluctance on the part of the applicant is attributed to the design and trying to squeeze too much square footage onto the property. He recommended the City try to hold to the 10,000 square foot standard because the depth of 25 feet will be the minimum that needs to be met. He recommended the City consult with retail individuals to determine whether 25 feet is a key number. If it is not, the City needs to figure out a better number. The City also needs to give consideration to the overall design of the property so that it works and encourages retail.

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Council Member Sellers addressed the parking requirements. He said that in talking with planners, it was indicated that you can design a downtown project with less than two parking spaces per unit. Reducing the number of parking spaces will address the dilemma of trying to squeeze all the parking into a project. He noted that there is a large segment of public parking adjacent to the western and eastern side of this project. There is also street parking in the area. He noted that the project will have different types of units and different users. He did not believe that this will be the 3.2 residents per unit that you see in the rest of the city that require parking. He recommended that the parking requirements be reduced to 1.75, a standard adopted by other cities with some success. He felt that it needs to be understood that there is significant parking adjacent to this project on all four sides. He stated that commercial uses will allow parking spaces to be interactive. He noted that it was stated that the applicant did not believe that 40 units per acre is doable. He would like to see the number of units per acre go up and the parking requirements go down as a tradeoff. He stated that the Downtown Plan indicates that 35-40 dwelling units in the downtown should be a goal. He recommended the City try to achieve this goal.

Council Member Carr indicated that this project has been discussed by the Community & Economic Development Committee. He felt that the 25-40 dwelling units per acre would be a good range the City could work toward. He stated that he was disappointed to hear that the applicant is talking about the low end of this range. He noted that the Planning Commission minutes indicate that what is being proposed is 1.500 to 1.700 square foot units. This was not the size of units he envisioned for the downtown. He envisioned small units in a dense project, especially on this block. He said that he would like to find ways to increase the density. Maybe Council Member Sellers' suggestion of lowering the parking ratio is a good way to look at this and help find ways to increase the density on the site. He felt that the commercial component has to be the forefront of this project as it is important. He indicated that additional discussion is needed regarding the desired commercial square footage. He stated that he did not want to limit the opportunities for commercial on key streets such as Third Street or other places in the downtown. There needs to be a greater dialogue about this and what the Council envisioned when it approved the goals contained in the Downtown Plan. He agreed that the Downtown Plan does not talk about specific square footage, but talks about commercial all along Third Street. He recommended that the Council think about making sure that the design guidelines talks about the depth of the commercial frontage such that it can be used for commercial and not other uses years down the road. There may be a way the Council can frame this and get away from the square footage that is hard and fast.

Mayor Kennedy noted that this project will need to compete under Measure C. He said that any decisions the Council makes needs to be consistent with the scoring contained within Measure C. He inquired how the Council could reconcile downtown development with Measure C.

Ms. Molloy Previsich said that the action to be taken by the Council would not be inconsistent with Measure C. She noted that the Council would be establishing the land use designation and the zoning standards for the property. Any future submittal for allocation under Measure C would need to be consistent with whatever the Council adopts as part of the General Plan and zoning. She said that based on recent changes to the RDCS, there are several different opportunities for downtown projects to achieve Measure C points.

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Mayor Kennedy noted that a recent study indicates that the City is not providing enough parking in the downtown. He expressed concern that the City would cut even further the amount of available parking spaces in the downtown; assuming that residents of the units may use some of the public parking spaces. He said that there may be a time when the demand for two cars per family would be reduced. He did not believe that Morgan Hill has become sufficiently urbanized to be at this point. He stated that he would be concerned should parking spaces per unit be reduced.

Ms. Molloy Previsich said that staff met with architects who are working on another downtown development site who have indicated that they are designing a housing project that will need two parking spaces per unit. She said that the key criteria to competing for Measure C points would be whether the project is consistent with the parking ordinance and the applicable ordinance that would apply should the Council change the parking requirements to 1.75 parking spaces per unit in the PUD. If the standard was two parking spaces per unit, this standard would be applicable. She did not know if there would be any Measure C impacts. The key is whether a project meets the parking requirement.

Council Member Sellers noted that a mid block is being proposed to gain additional Measure C points. He felt that the number of applicants who will be submitting Measure C applications may not be the same project as the other types of units available. He did not believe the downtown would be competing with other projects, but that downtown projects would be competing amongst themselves.

Ms. Molloy Previsich said that staff has been receiving a lot of interest in developing in the downtown. She indicated that the Dahlin Group has been retained by an applicant who is intending to submit for 136-units. There is another developer who may submit for 70-units. This project is proposing to request 50 allotments. She informed the Council that the Dahlin Group designed several downtown and mixed use projects throughout Santa Clara Valley and in other places. The Dahlin Group believes that 25-units per acre is the appropriate density for downtown Morgan Hill at this time. They have stated that it is difficult to achieve higher density within a three-story height limit. Once you go over the 25-units per acre, the next construction style would be for 40 units per acre. They have stated that it is hard to achieve density between 25 and 40 units per acre. Further, the 40 units per acre would be a podium style design, half story below grade/half story above grade parking. She stated that it has been indicated that this is an expensive style to construct; one which allows for higher density at a higher height and a different type of housing product.

Mayor Kennedy noted that the Sunsweet property is a vertical mixed use project and the Dahlin property is all residential. Therefore, it was his belief that there would be different allocations for these two projects.

Ms. Molloy Previsich said that the vertical mixed use category only applies to projects that have 15 residential units or less. She stated that the R-4 projects in the downtown will compete against the Dahlin project.

Mayor Pro Tempore Tate noted that Mr. Hechtman is questioning why the Council was discussing absolute numbers regarding the commercial square footage. He felt that when a design is put into place,

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Glenrock Builders will know how much linear square footage of commercial can be designed once you subtract the driveway, parking, entryways to the building, and a mid block entry. He noted that Mr. Hechtman is recommending a percentage of commercial be derived versus an absolute number. He indicated that the Council has not determined the depth. He noted that the Downtown Plan requires and the Council desires, the Third Street frontage to be all commercial. Glenrock Builders also wants the Third Street frontage to be commercial, but does not know how to achieve this. He felt the Council needs to figure out a way to achieve as much commercial as possible.

Council Member Sellers recommended that the Council state that all commercial along the Third Street corridor will be at an acceptable depth such that it encourages retail uses. This will allow designing the project as retail from day one. He acknowledged the Council has to agree to an acceptable depth. This can be accomplished by looking at other successful projects. He recommended that office space requests be reviewed as conditional use permits.

Ms. Molloy Previsich informed the Council that there are 180 units that have been identified for the downtown competition. She said that there may be an opportunity for the Council to adjust this, shifting allocations from other allocations. She indicated that there is a separate category for vertical mixed use for small projects (15 units or fewer). Staff believes that there is interest by individuals who will be submitting for more than 180 allocations. There is also interest for affordable units located in the downtown, but these units will not come out of the downtown area allocation.

Rocke Garcia indicated that projects consisting of 15 units or less can compete for vertical mixed use allocations. Even though his project is a vertical mixed use project, he would not achieve any points for this housing product. He stated that the 25 dwelling units to the acre may achieve 27 units. This would depend on how the architect lays out the project. Once you go above this number, the design will be that of a podium, a concrete structure that runs approximately \$70 per square foot to build.

Mayor Kennedy stated that he would recommend the Council proceed with the staff recommended action, with no modifications.

Council Member Sellers said that in hearing what the Dahlan Group has stated, he felt that there may be an opportunity for platform projects in the future. He would like to figure out a way to achieve the best possible project. He did not support 25% office use unless it is approved under a conditional use permit. He stated that he would like to develop all retail along the Third Street frontage. He felt that there are a lot of resources that can help find appropriate tenants for that property, up to and including letters of intent before concrete is poured to encourage retail. He stated that he would be willing to move forward this evening.

City Manger Tewes referred the Council to page 54 of the agenda packet, page 1 of Exhibit A. He noted that the section contains the language that Council Member Sellers would like changed.

Ms. Molly Previsich said that based on Council discussion, Exhibit A of the ordinance could be amended as follows: delete section G (this section allows 25% of ground floor to be used for office or personal services) and amend letter A to require office and personal uses to be conditional uses. She

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recommended that the appropriate retail depth be addressed as part of the development guidelines for the Third Street frontage. She said the Council could keep a minimum ground floor requirement, but make it the 8,000 square feet the project proponents believe is feasible, with additional guidelines that will allow for retail. The design guidelines could include the language Council Member Sellers spoke to. It was staff's belief that the Council would like some deep spaces that can accommodate a bakery, coffee shop or café. She felt that the depth judgment will come in once the City looks at an actual project. She indicated that a floor plan will be submitted that will show varying depths of commercial spaces from the Third Street property line.

Mayor Pro Tempore Tate said that he did not want to approve 8,000 square feet commercial if it is not the right number.

Ms. Molly Previsich noted that the applicant has stated that they can achieve 8,000 square feet. This square footage reflects a 25 foot depth along 300 linear square feet.

Council Member Sellers said that he would agree to staff's recommended motion as a compromise.

Ms. Molloy Previsich indicated that the design guidelines could stipulate that "Development is encouraged to provide more than 8,000 square feet of ground floor frontage along Third Street and that the depth is to be appropriate for retail use."

- Action: On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council unanimously (5-0) Adopted Resolution No. 5937, amending the General Plan.
- Action: On a motion by Mayor Pro Tempore Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) <u>Waived</u> the Reading in Full of Ordinance No. 1735, New Series, the Zoning Amendment Ordinance.
- On a motion by Mayor Pro Tempore Tate and seconded by Council Member Sellers, the City Council Introduced Ordinance No. 1735, New Series, by Title Only, as follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING THE ZONING ON SEVEN PARCELS FROM CENTRAL COMMERCIAL RESIDENTIAL CC-R, TO PLANNED UNIT DEVELOPMENT PUD, BRINGING THE PARCELS INTO CONFORMANCE WITH THE DOWNTOWN PLAN AND THE GENERAL PLAN (APNs 726-13-032, 033, 034, 041, 042, 043, 044), amending exhibit A as recommended by staff (office commercial to require a conditional use permit, appropriate depth for retail use, and amending the Minimum Ground Floor heading to read: "A minimum of 8,000 square feet...", by the following roll call vote: AYES: Carr, Grzan, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: None.

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City Council Action

OTHER BUSINESS:

10. SOUTH COUNTY AIR QUALITY ISSUES

Director of Public Works Ashcraft presented the staff report, indicating that staff requested that members of the Bay Area Air Quality Management District be present this evening to present a report to the Council that addresses issues that have to do with the quality of south valley air as well as the Metcalf Center.

Dennis James, senior air quality engineer, Bay Area Air Quality Management District, addressed the permitting process for the Metcalf energy center. He stated that the Metcalf energy center went through a rigorous permitting process. He said that there are four items that an applicant has to show in the process: 1) use of the most stringent emission control equipment available; 2) purchase offsets that reduces emission; 3) model the impacts of the facility to show that there are no significant impacts from the facility; and 4) show that the plant would not cause or contribute to the accidence of any ambiance air quality standard. He said that the Metcalf energy center was shown to have no significant impacts. He stated that the facility is in operation, performed source testing, and is in compliance with all requirements. He said that during the process, the Energy Commission required Calpine to install monitoring stations. It was his understanding that one monitoring station has been installed at a park south of the facility. He stated that the facility has stacks that are 150 feet high and that it is emitting very low concentration of pollutants. By the time the pollutants disburse and mix in with the atmosphere, it is not detectible in Morgan Hill.

Mayor Kennedy indicated that it was his understanding that a monitoring station has been installed to the north and that the one to the south has not yet been installed. He inquired when the monitoring station to the south would be installed and what can be done to speed up the installation. He stated that the emission control requirements were relaxed so that Calpine could start up the plant. Therefore, it is not known what was released into the air during the start up that might have affected Morgan Hill.

Mr. James informed the Council that he does not know the status of the Calpine station. He said that the District is involved with the siting. He said that the District does not have the authority to require a monitoring station unless a facility triggers the need through the modeling process. He stated that if the concentrations are over a certain level, Calpine will need to conduct preconstruction monitoring. He indicated that the modeling results did not show a need to conduct preconstruction monitoring. He said that EPA has several models they reviewed and approved over the years of an air disbursement model and that it is the only tool available to predict emission before something is built.

Eric Stevenson, air monitoring manager, addressed the progress made on the two monitoring stations required by the California Energy Commission. He stated that there are stations nearby that they operate: two in San Martin and one in Gilroy. He said that these stations measure ozone concentrations, but no other compounds. The two monitoring stations required by the California Energy Commission will monitor three classes of compounds: oxides, nitrogen, and carbon monoxide; and particulate matter at

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10 microns or less in range. He said that they receive input, collect data and audit these stations on an annual basis. It is a goal to have the two stations maintain the air quality required. He said that one station will be located at Los Paseos Park, the northern location. The southern monitoring station will be located at Encinal School. He stated that the siting process is a long and arduous one. They need to make sure that the air flow is not disrupted by buildings, trees, or other similar structures. They also need to make sure that there are no sources near by and need to be a certain distance from roadways that might influence measurements. He stated that the City of San Jose is involved and that it is their goal to locate the stations where they can be stationary for up to 50 years. He indicated that they are working with the School District, trying to persuade them not to take particular actions that might have an affect on the site. He informed the Council that the School District would like to plant trees; rendering the school site unacceptable. He stated that he is in the process of making sure that the sites are properly maintained for the long term.

Mayor Kennedy said that it was his understanding that the School District opposed the Encinal School site as a location for the monitoring station.

Mr. Stevenson said that it was his understanding that the School District will allow Calpine to place one of the monitors at Encinal School, away from the School. He informed the Council that the City of San Jose is working toward obtaining the property. A subcontractor to Calpine will install the monitors and that he will have oversight of the site; conducting audits and reviewing data. He said that the installation of a monitoring station is a requirement placed upon Calpine by the California Energy Commission.

Council Member Carr stated that he was encouraged to hear that the Encinal School site will be used as the southern monitoring site as the City was under the impression that this site was ruled out by the City of San Jose because a 50 year horizon in their Coyote Valley Plan.

Council Member Sellers said that the Council wants to make sure particulate matter levels do not exceed what is considered to be acceptable emission levels. He said that this is a difficult issue for Morgan Hill because residents are directly impacted and want to know information. He noted that no residents in the City of San Jose will be impacted and yet, they hold the key. He offered the City's assistance to help with School District negotiations to make sure that the monitoring station is installed.

Mr. Stevenson said that the only item that is holding up the installation of the monitoring station is the School District's desire to plant trees. It is his understanding that this is under negotiations. The School District is considering planting trees in another area, or planting slow growing trees. It is his understanding that the project is moving forward.

Council Member Carr inquired when the Metcalf energy center was permitted.

Mr. Stevenson indicated that the process began 5 years ago and that it took 18-24 months to build, noting that it came under operation 2-3 months ago. He said that the Calpine station is currently using the highest and best technology available today. He said that the California Energy Commission can require that the location of the offset be specific to the facility. He indicated that he would provide the City of Morgan Hill with the location of the offsets.

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Mayor Kennedy requested that the City be notified if assistance is needed to get the monitoring station installed as the City wants it in place for the protection of residents.

Action: The Council **Received** the Report.

11. MORGAN HILL LIBRARY APPROVAL OF DESIGN DEVELOPMENT

Project Manager Dumas presented the staff report, indicating that in May 2005, the Council approved the schematic design concept for the new Morgan Hill library. He informed the Council that the City's architect, Chris Noll, was in attendance to present the second phase of the design process as well as the design development document. He indicated that two presentations have been made to the Architectural Review Board (ARB) and the Library, Culture & Arts Commission. He said the project received a preliminary review from the ARB on July 7; indicating that the Board's comments were favorable. A presentation was made to the Library, Culture & Arts Commission on Monday night. He said that the Commission focused on security concerns associated with the book drop off area and suggested that the trees be trimmed for visibility. Regarding the design, two Commissioners commented that they like the rendering with the light color alternate stone as it was more compatible with the residential surroundings and the civic center building. The Commissioners do not believe that the library should be compromised to fit the style of other buildings in the civic center. They felt that the existing buildings will need to be reworked in the future. He informed the Council that the Commission questioned whether any compromises were being made to keep the building within budget. He stated that it was staff's understanding that the Commissioners felt that some elements of the project could be improved upon with additional resources (e.g. funding for public art in the civic center plaza). Included in the budget is the construction costs for some historical art columns and some sister cities public information benches to be located in the plaza. However, the design, the manufacturing, and the installation of the informative tile art on the columns and benches are not included in the budget. He stated that it is staff's intent to return to the Commission in September 2005 to present the design concept and recommendations to fund public art. Regarding the overall project budget, he indicated that TBI Construction and Construction Management has prepared an overall cost model for this phase of the design. He said that TBI has projected that the project remains within budget and on schedule through this phase of design. Should Council approve the design development documents and authorizes staff to proceed with the construction documents, it is anticipated that the City would be ready to start the bid process in late December with a bid opening scheduled for late January 2006, construction to commence in March 2006, and the library building to be completed on May 1, 2007.

Council Member Sellers noted that staff indicated the preference of some Library, Culture & Arts Commissioners on some of the elements. He inquired whether Mr. Dumas had any thoughts, as an architect, on some of the design elements. Does he see design elements preferable over others?

Mr. Dumas said that there were other items discussed by the Commission. One area discussed was enhancing the landscaping around the project; noting that landscaping is sparse to the west of the project, in the expansion area of the building. Not knowing when the expansion is to take place, he said that this area will look sparse and could use enhancing. He felt that the exterior hardscape could be

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enhanced by adding more color or installing pavers instead of concrete or other materials, noting that this would take additional funds. He said that a project could always use additional funding for interior finishes to upgrade the interior look. He noted that interior art work and interior plantings are not included in the budget. He informed the Council that the Commission suggests utilization of additional funds to enhance fixtures, furniture and equipment. He stated that the City has established an overall budget based on similar libraries. However, the City has not started an itemized list of each fixture nor evaluated whether it is an adequate budget.

Council Member Grzan said that should there be an additional \$800,000 that can be used for the library, would this amount be a significant amount to expand the square footage of the facility?

Mr. Dumas said that the City could expand the square footage. He stated that it was his understanding that the office area is designed for future expansion. It may be found that the 28,000 square foot library may be adequate to meet the needs of the library for some time. He said that he would like to see additional dollars used to enhance the inside of the building.

Chris Noll, Noll & Tam Architects, presented a brief overview of the library project. He stated that the project is on schedule. He has spent the last three months developing the design further, taking into consideration the comments made by the Council at the last meeting. He identified how the site plan addressed the concerns raised by the Council: 1) Proximity of the parking lot to the front entrance, specifically, the location of the disabled parking. He stated that the building has been moved closer to the parking lot; bringing the parking closer to the front door. 2) Location of the book drop along the side of the building was not easily seen. The book drop has been brought out to the face of the building. The book drop is now clearly visible from the drop off area. 3) View of El Toro was deemed to be a priority. He said that bay windows have been designed to face directly toward El Toro and that spaces interior to the building are oriented similarly. 4) The building to be designed as energy efficient as possible. He indicated that the building has been moved forward in order to have the most energy efficient system. 5) Safety of staff and patrons. He stated that the design team has reviewed the trees and landscaping on site. The design team is looking at sight lines in certain areas in order to provide good visibility. 6) Creation of a warm and welcoming design and incorporation of a fire place. He said that these items will be addressed as the design of the library moves forward. He indicated that the ARB reviewed the design of the library on July 7, 2005. He stated that the ARB was generally favorable about the design as was the Library, Culture & Arts Commission. He walked the Council through the site layout of the library building and its relationship to the Civic Center plaza.

Meredith Marchack addressed the feel of the library and the theme for the library. She addressed the floor plan, design elements and interior design of the library building. She stated that the windows have been reoriented toward El Toro in order to have a better view of the mountain. She felt that the design of the library has come a long way as it relates to the interior of the building.

Mr. Noll addressed the exterior building materials as they relate to the existing buildings in the civic center; particularly the stucco walls and the red tile roofing material. He said that a deliberate decision was made a long time ago not to use tile roof material. He said that the design team has been working along the lines of designing a modern and crisp building that would fit comfortable on the site. He

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indicated that the design team gave thought to bringing in the same color used on the civic center building wall. He said that dark red sandstone would be used as it would be complimentary to the color of the red tile of the existing buildings. He noted that a natural stone color is also being considered. The design team tried to incorporate crisp lines throughout the building. He addressed other design elements and finishes to be used on the building.

Mayor Kennedy inquired where additional funds could be best spent if they were made available.

Mr. Noll said that the design team is satisfied with the size of the library and would not choose to put additional funds to increasing its size. If additional funds were to be made available, he recommended that they be used to enhance the interior finishes, installation of additional landscaping, additional seating, art work in the plaza area, and provide for a larger contingency.

Council Member Grzan understood the desire to incorporate a lush landscaping area and inquired whether it would be in conflict with drought tolerant native landscaping the City would like to include.

Mr. Noll responded that incorporation of additional shading would help preserve water and vegetation. He clarified that all plants are to be native or drought tolerant.

Council Member Carr expressed concern that the book drop appears to be far from the front entrance. He felt that it may be awkward or difficult to find as it is located around the corner of the building.

Mr. Noll indicated that the design team has spent a considerable amount of time talking about the location of the book drop, looking at a number of alternatives. It was decided that the location, as presented, was the best overall solution as the book drop has to be convenient and functional for the library staff. He noted that the book drop off area will be visible from the parking lot. He said that lighting will provide a safe feel.

Mayor Kennedy opened the floor to public comment.

Carol O'Hare, president of the Friends of the Library, commended the library design committee, architects, library staff and City staff who have worked hard to bring forth this attractive, well designed and interesting library building; staying within the \$17 million budget. She understood that this was a tight budget and that tradeoffs were incorporated. However, it looks like there may be additional redevelopment agency funds available. She said that it is felt that these extra funds can be used to improve the library building. She stated her support of incorporating public art as part of the library design and felt that this would be a great opportunity to use some redevelopment agency funds to bring art into the library and civic center plaza. She said that it was important for citizens to have a facility that it can enjoy and show off to family and friends. She requested that the City Council take time to decide how to use available funding and do what it can to make this building even better.

Mayor Kennedy indicated that many cities have a public arts ordinance that sets aside approximately 2% of its budget for public art. He inquired whether it would be better to use redevelopment agency funds toward public art or to use funds for interior finishes or landscaping.

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Ms. O'Hare said that this is a difficult question to respond to as she sees this as a package. She stated that she would like to see public art installed throughout the City. She felt the City needs to make the library building the best it can be. It was her hope that there would be funding for public art; whether it be partially city funding, grants, or by fundraising efforts by various groups. She would like to see the outside be as beautiful as the inside design.

George Nale stated that as a former library commissioner and very involved citizen, he is aware of all the twists, turns and agony that went into finding a library the City could afford, including its location. If there are additional funds available, it was his hope that the Council would withhold allocation of these funds until the library and any other competing interests have a chance to detail expenses on what is desired. The Council/Redevelopment Agency could then allocate funds based on those needs.

No further comments were offered.

Mayor Pro Tempore Tate stated his support of the design. He inquired whether all the functions the library staff had in their preliminary design were incorporated and were adequate.

Sarah Flowers stated that with the passage of Measure A and failure of Measure B, library funding has not been expanded. Therefore, library staffing and collections would not be greatly expanded. Based on existing funding and staffing levels, it was her belief that the 28,000 square foot library would be large enough for staff to operate the next few years. She was pleased to know that there is a possibility for future expansion. She stated that she would like to see any additional funds used on upgrading finishes, additional landscaping, or the installation of public art; not expanding the size of the facility.

Council Member Sellers inquired as to the ratio used to determine the size of the facility for the community.

Ms. Flowers said that a funding scenario resulted in a ½ square foot per capacity. Based on this, she felt the library is well within this percentage and would meet the needs of the community a few years into the future. She said that all cities are at this level except for the City of Gilroy and Milpitas. She said that Milpitas has a larger library in design development. Once Morgan Hill and Milpitas complete construction of new libraries, it will only be Gilroy that does not meet this level.

Mayor Kennedy said that he likes the use of the brighter red color. He stated his support of keeping the remaining redevelopment agency funds as a set aside, not earmarking these funds for any particular project at this time. He favors allocating some funds for public art and improving the interior finishes. He said that the City may need to wait and have all city projects come forward with their requests for allocation of funds (e.g., outdoor sports complex, indoor recreation center). He said that the Council does not know how the construction market will be and that it may be premature to earmark specific funds. He recommended the Council ask the various projects to submit funding requests for review. He thanked staff, the architects, Library Commissioners, Library staff and Mayor Pro Tempore Tate for the many hours of work in bringing the library project to this stage.

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Mayor Pro Tempore Tate indicated that he did not support the use of the brighter red color, but supports moving full speed ahead.

Council Member Carr did not like use of the bright red color. He stated his support of moving the project along. He noted that the City does not have extra funding in the redevelopment agency. He said that the City has a project that may not move forward. He said that the Council/Redevelopment Agency has an approved process where it would look at all remaining dollars. He noted that all redevelopment agency funds have been allocated, but that the Redevelopment Agency can take a look at the funds and look at proceeding with enhancements. He did not want to send a message encouraging individuals to come forward and request additional funds. He said that the Council/Redevelopment Agency needs to follow through with what it said it would do with these dollars. He expressed concern about the location of the book drop off. Without being able to turn the building, the City will need to work on the design to make sure that the sight line and signage are appropriate so that individuals will know where to drop off library books. He supported how the views of El Toro were addressed.

Council Member Sellers thanked library staff, library supporters, Library Commissioners, and staff for the many hours spent on the library project. He felt that these efforts resulted in an outstanding design. He indicated that the Council has adopted 3 policies and that they were important to keep in mind as the City moves forward: 1) the City will not spend public money on public art. He stated that he worked hard to create the Morgan Hill Community Foundation in order to provide resources in the community to create art. He said that art has been an important part of his family and his life. He would like to do what he can to help public art. However, public expenditures were deemed by this Council to be inappropriately spent on public art. He felt the community would receive better and/or interesting art if not paid at public expense. 2) The Redevelopment Agency outlined redevelopment agency funds for specific projects; noting that these funds are dwindling. He noted that every project approved by the City was for the purpose of increasing economic development and increasing a return to the community. 3) The Council decided to refer all remaining expenditures to one of the Council subcommittees. He said that there are far more uses, requests, and desire to spend funds than there are funds. He stated that prior to holding the election on Measures A & B, he suggested the City consider passing its own library measure. He noted that the City is undertaking a community conversation where members of the community will be asked what they think. He felt that this measure should be included as part of the community conversation. Further, the City needs to identify public resources for the ongoing hours of operation for the library. He felt the library would be a useless facility if it cannot be opened a number of hours. If the community desires a library, the City needs to find a dedicated source of funds that would assure that the library will remain opened additional hours. He stated his support of the use of the red color but that he was not willing to put forth his desires ahead of the professionals and subcommittee group who have indicated another direction.

City Manager Tewes informed the Council that staff is not asking the Council to select a color at this time. Staff is requesting that the Council adopt the design development phase and authorize staff to proceed.

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Action: On a motion by Council Member Grzan and seconded by Council Member Sellers, the

City Council unanimously (5-0) Approved Design Development Drawings for the

Library.

Action: On a motion by Council Member Grzan and seconded by Council Member Sellers, the

City Council unanimously (5-0) Authorized Staff to Proceed with the Construction

Document Phase of the Design Process.

12. SWIM TEAM LANE ASSIGNMENT POLICY FOR THE 50 METER POOL AT THE MORGAN HILL AQUATICS CENTER

Acting Recreation and Community Services Manager Dile presented the staff report, indicating that based on Council direction of February 2005, the Parks & Recreation worked with two competitive swim teams and recommend an ongoing policy on allocation of swim lanes for the competition pool. She informed the Council that the Parks & Recreation Commission has forward a recommendation based on the Commission's understanding that Silicon Valley Aquatics Association (e.g., El Toro Aquatics) is intending to use the Sobrato High School pool for practice. She stated that the Parks & Recreation Commission's recommendation allows El Toro Aquatics to use the competition pool at the aquatics center on certain designated timeframes, in conjunction with use by the Mako Group and city programming. The Commission further recommends that staff look at the development of a municipal swim team; requesting that staff report back to them later in the year in order to explore this concept. She informed the Council that staff has used this recommendation in developing the proposed operating plan.

Mayor Kennedy opened the floor to public comment. No comments were offered.

Council Member Carr indicated that he was in attendance at the Parks & Recreation Commission meeting when they discussed a proposed recommendation. He noted that the Parks & Recreation Commission is recommending that "The El Toro Aquatics shall swim at Sobrato High School." He felt that it needs to be made clear that City staff and the Council will work with the School District to help get to a use agreement that would allow the swim team to swim at Sobrato High School. He noted that the City has no control over the use of the pool. He recommended that the language be softened.

Action:

On a motion by Council Member Carr and seconded by Council Member Sellers, the City Council unanimously (5-0) <u>Accepted</u> the Parks and Recreation Commission's Recommendation for Lane Allocation at the Aquatics Center, amending the third recommendation that states "...Silicon Valley Aquatics Association (El Toro Aquatics) shall swim at Sobrato High School..." to state "... the City will assist in working toward a use agreement that would allow the use of the Sobrato High School pool."

13. 2005-2006 OPERATING PLAN FOR THE MORGAN HILL AQUATICS CENTER

Acting Recreation and Community Services Manager Dile acknowledged staff members Dick Busse, Margarita Balagso, Jack Dilles, Tina Reza and Julie Spier for their assistance in addressing the issues

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related to the recommended operating plan for the aquatics center for the remainder of the fiscal year. She addressed the history of the cost recovery expectations, projected financial status for fiscal year 2004-05 (74% projected cost recovery rate), the proposed operating plan for fiscal year 2005-06 (approximate 91% cost recovery rate), the management system put into place to enhance financial performance, recommendations, and the implementation plan. She informed the Council that staff recommends approval of the 2005-06 operating plan for the aquatics center as staff believes that it is achievable and necessary to meet cost recovery of 90% or better.

Council Member Grzan noted that staff has indicated that it is committed to return to the Council with an operating plan that would meet a 90% cost recovery rate. He noted that staff is requesting that the Council approve the plan this evening.

Ms. Dile indicated that at the May 2005 budget workshop, staff indicated that it would return in mid summer with an operating plan for the off season. She informed the Council that staff has established the financial system to better track the operating status of the aquatics center this summer. She stated that staff will be able to build and use the financial software system over the course of the year so that staff will know all costs and revenues associated with swim lessons. She indicated that staff does not anticipate that cost recovery would be worse than 74% for fiscal year 2004-05, noting that staff has not concluded its financials. Staff believes that the only adjustments remaining would be payroll adjustments. She said that the user numbers in June and July 2004 were higher (46,637) compared to June and July 2005 (39,896). However, revenue for 2005 is better. Last year, the daily revenue was \$375,630 and that this year, for the same time period, the daily revenue is \$401,286. This does not include deferred revenue.

City Manger Tewes clarified that on June 30, 2005, the Fiscal Year 2004-05 ended. He said that the City still has transactions occurring to close the books; both on the revenue and expenditure side.

Council Member Sellers stated that as season passes go up and day use goes down, it may smooth out the number of individuals who use the facility on a daily basis. He said that weather is key to facility use; noting that the hotter it gets, the more individuals use the facility. He also noted that unseasonable rain occurred during the month of June, reducing daily attendance numbers. He recommended that all factors be considered in the revenue analysis. He felt that three factors came into play for not meeting revenue projections: 1) a loss of \$600,000 in revenue attributed to things that were not anticipated; 2) management failures (things that should have been caught were not); and 3) higher costs than anticipated (e.g., workers compensation, high energy costs, etc.). He indicated that he visited the aquatics center and noticed that there was an area at the southern edge of the recreation pool that had a large puddle. He inquired whether there was a budget to rectify items that were not included in the building replacement fund, or the day to day operations fund.

In response to Council Member Sellers' question, Ms. Dile stated that she did not believe that the aquatics center has a contingency fund that could be used to correct certain problems (e.g., tear up concrete and fix plumbing system) as these repairs do not fall within the building replacement or day to day operations funds.

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Mayor Kennedy said that the problem that Council Member Sellers was referring to appears to be one of the duct drains is plugged up and the ducts are not draining properly. He indicated that there is also an issue of maintenance for the overall facilities (e.g., taking care of cracks in the concrete and the walls). He felt the City needs to make sure that the facilities are maintained and repaired properly.

Mayor Kennedy opened the floor to public comment.

Martine Kapetanic pointed out that the use of the aquatics center is not seasonal, but that it is used year round. She informed the Council that master swimmers have been asked by City staff to join the U.S. Masters Registration Program at a fee of \$30 per year. This fee would pay for the cost of insurance to cover master swimmers for the year. She said that masters swimmers pay the City \$45 per month for the use of the facility. She encouraged individuals to join the Masters Program and pay on a monthly basis. Should the aquatics center close down, she felt that it would be a disservice to this group. She informed the Council that individuals are using the aquatics facility year round. She acknowledged that the aquatics center is not 100% cost recovery, and noted that there are other facilities in the City that are not at 100% cost recovery. She stated that she would like the aquatics facility to continue to operate through winter months.

Tim Thornton indicated that he was contacted by local tri athletes to provide private instructions to help with the swim leg of their triathlons. It is his hope that this is a program that can be added to the aquatics center as it could generate a few thousand dollars a year and would ducktail under the existing program and may evolve into special clinics and instructions for other adults who are not tri athletes. He stated that this is a wonderful facility and commended all involved who made the aquatics complex a reality. He felt that the aquatics center would be improving financially as the years go along.

Geno Acevedo indicated that he is a masters swimmer, a masters water polo player, and president of the Morgan Hill Aquatics Foundation. He informed the Council that the Foundation Board has not had the opportunity to review the operating plan, given the short period of time to review the report. He indicated that he has reviewed the operating plan in detail; having both good and bad critique. He said the report is mostly good and agreed with a lot of the items contained in the report. He supports the suggestion that the City attempt to run the facility like a business; including the evaluations. He stated that he would endorse the report, overall. He noted that it is being suggested that the facility only operate in the off season Monday thru Friday. He stated that master water polo activities take place on Saturdays. Monday through Friday operations would preclude El Toro Brew Masters Water Polo team from using the facility on Saturdays. While the center is not proposed to be opened in September and October for recreation swimming, he suggested the City have in place a "quick open" plan when the temperature reaches a certain trigger (hot days). He stated that he took issue with attachment A, section D, second paragraph that talks about anticipated money from the Foundation. He indicated that the Morgan Hill Aquatics Foundation was set up to assist the City and that the City began the process to help the Foundation establish itself. However, he felt that in recent times, the City has not communicated well with the Foundation. He said that City staff has not set up or asked to meet with the Foundation Board. He felt the expectation of \$10,400 in grants from the Foundation to the City is a unilateral expectation; without any coordination or discussions with the Foundation Board. He noted that grants are expected two years in a row. If it is the expectation that the Foundation contribute financially

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to the aquatics center, he recommended that staff and/or the Council have discussions with the Foundation. He referred to a statement in the document that states that staff was notified by the Foundation of its intent to support capital projects. He indicated that this is a false statement. He said that he had a conversation with Ms. Dile where he indicated the Foundation could consider assisting with maintenance and operation costs and under what circumstances this could occur.

Susan Mister stated that as a fitness instructor since the aquatics center's opening, she has seen an increase in members using the instructional pool. She said that there was a consistent retention of members in the first season into the fall/winter season. She indicated that the use of the instructional pool has increased tremendously. She anticipates an increase into the fall/winter season. She requested the aquatics center be opened year round to allow use.

No further comments were offered.

Council Member Grzan requested clarification on what staff meant about entering into a memorandum of understanding with the swim teams.

Ms. Dile said that staff believes the City needs to have documentation on mutual responsibilities relating to swim meets. She said that it was her impression that there were informal arrangements made last year in terms of the division of financial responsibilities and staffing resources. She said that staff is not anticipating a greater burden to be placed upon the swim clubs in hosting meets in the future. She felt that clarity would be helpful to staff and the swim club.

Council Member Grzan indicated that the Council received information that the losses were approximately \$274,000 and that at this point, the losses are at \$358,000. He said that at the Financial Policy subcommittee meeting, there was a projection of an operating loss of \$1.6 million for the last year. He inquired whether this new number changes the operating loss amount.

City Manager Tewes said that the new number is reflected in the overall estimates from the general fund. He stated that when the Council adopted the Fiscal Year 2005-06 budget, staff made an estimate on the operating results for the year ending June 30. For the general fund, it is estimated that the operating loss would be \$1.4 million. Based on the most recent information and other information that includes revenue performance and other issues, it is now estimated at approximately \$1.6 million.

Council Member Sellers felt that a lot of the problems experienced were growing pains. In hearing the presentation and details, he felt that safeguards are now in place. He felt comfortable proceeding in light of having the experience of going through a season and half. He said that the Council's next budget decision will include discussion of increasing fees to achieve 100% cost recovery or lowering the fees to accommodate more individuals to utilize the facility.

Council Member Carr indicated that the Public Safety & Community Services subcommittee discussed the operating plan briefly. He said that the subcommittee would continue its discussion on the operating plan and work toward a break even point in year three. He thanked staff for putting the information together and helping the Council understand what took place; including lessons to be learned in order to

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move forward. He noted that the City is trying to provide opportunities for everyone, including those who can least afford to be a part of the community. He felt that this was the bottom line of what the redevelopment agency is all about and continues to be all about; providing access and growth of ability for individuals to be a part of the community. He stated that he is looking forward toward working on the expansion of scholarship opportunities.

Mayor Pro Tempore Tate felt the City has a commitment to find a way to break even in the third year. He stated that the Community Services subcommittee will be working toward finding ways to make this happen.

Council Member Grzan stated that the losses that occurred this year were not unexpected. He said that he did not know of any local municipal recreation program that achieves 100% cost recovery. He did not believe that going back to the community and asking them to pay a higher rate to achieve 100% cost recover is a reality. He expressed concern that the new indoor recreation center with an aquatic feature, would also not achieve 100% cost recovery. He recommended the City work on other economic opportunities to balance the general fund and support these programs at a fee and a rate that makes it affordable to the majority of Morgan Hill residents. He said the City could run the aquatics center like a business; marketing the center to attract individuals from San Jose, Watsonville, and other areas. He did not believe that it was the City's goal to make the center 100% cost recovery, but that the City find other revenue sources to support these programs in order to operate the facility year round at rates that everyone can afford. He felt that it was the Council's focus to go back and figure out how to raise enough revenues to help these programs continue. He felt that a year from now, the City would be looking at approximately 85% cost recovery and approximately 80% for the indoor recreation center.

Mayor Kennedy stated that he has raised the issue of recreational swim hours and the use of the 50 meter pool on the weekends. He noted that the instructional pool is over loaded and that the 50 meter pool closes at 4:00 p.m. He indicated that he has seen an average of 65-80 swimmers on any given day. These individuals are then transferred to the small instructional pool that is already over loaded. He felt the City was creating a negative impression by shifting programs and closing pools. He did not believe the cost would be too great to extend the open hours for the recreational pool to 5:00 p.m. on the weekends. He requested the Council subcommittee take a look at extending the hours of operation in more detail. He felt the City should implement a suggestion program for visitors and that follow up action take place. He supported taking a look at the suggestion about Saturday water polo and a "quick response plan" to open the facility if there is a forecast for a hot weekend in order to seize an opportunity. He felt that the aquatics center has been a success; acknowledging that mistakes have been made and that they will be corrected.

Action: On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council unanimously (5-0) Accepted the proposed Operating Plan and related recommendations.

Action: On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council unanimously (5-0) <u>Directed</u> Staff to Report Monthly on the Aquatic Center's Financial Status Throughout 2005-2006, and Identify Corrective Action if Needed.

City of Morgan Hill Joint Special & Regular City Council and Special Redevelopment Agency Meeting Minutes – August 3, 2005 Page - 27 –

<u>Action</u>: On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council unanimously (5-0) **Extended** the meeting curfew to 11:40 p.m.

14. <u>APPROVAL OF COMMUNITY PARK MASTER PLAN AND MITIGATED NEGATIVE</u> DECLARATION

Deputy Director of Public Works Struve presented the staff report on the community park master plan. He indicated that the Parks & Recreation Commission recommends that the Council approve the Community Park master plan. He addressed the four phases of construction. Phase I would include the construction of 4 new tennis courts for a total of 8 tennis courts, rehabilitation of the existing tennis courts, a new restroom facility to be centrally located, renovate the existing and construct new group reservation areas, lighting of basketball courts and adjustments to the pedestrian trials around the park. He indicated that the maintenance cost impacts for phase I improvements are minimal. He said that staff is looking for cooperation of the tennis group to perform extensive maintenance of the tennis courts. He said that the concept design for phases 2-4 are completed, keeping in mind minimizing operational cost impacts. He indicated that a detailed evaluation would be completed at a later date for phases 2-4; noting that these phases have not been funded or included in the current capital improvement programs' budget. He addressed the two dog parks, indicating that one dog area is proposed on the southeast corner of the park, within the fringe area with no funding proposed for improvements. He said that this area has been offered to the dog owners' group who are interested in seeing this location as an interim dog park. He informed the Council that this group has raised money to start some improvements such as fencing and maintenance of turf area. He said that irrigation modifications would need to take place. He said that although there is no funding for this project, he has offered this group staff, to some extent, to help them along. He indicated that the second location would be for the permanent dog park. The second area would be located at the Morgan Hill Unified School District bus yard. He said that this area could be used as a dog park, BMX park and/or future corporation yard. He stated that CEQA review was conducted for all four phases, even though phase I is the only phase the City is proposing to move forward with at this time. He informed the Council that Lee Steinmetz, designer of the Community Park master plan, was in attendance to answer any questions the Council may have.

Mayor Kennedy opened the floor to public comment. No comments were offered.

Council Member Sellers thanked everyone involved, especially the dog park group. He was pleased that the City was able to find a dog park facility and that this group would be able to maintain the facility. He thanked staff and Mr. Steinmetz for their work. He felt that these improvements would be significant for the community.

<u>Action:</u> On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council unanimously (5-0) <u>Approved</u> the Mitigated Negative Declaration.

Action: On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council unanimously (5-0) Approved the Mitigation Monitoring and Reporting Program.

City of Morgan Hill Joint Special & Regular City Council and Special Redevelopment Agency Meeting Minutes – August 3, 2005 Page - 28 –

Action: Council Member Sellers made a motion, seconded by Mayor Pro Tempore Tate, to Approve the Community Park Master Plan.

Council Member Grzan alerted the Council to an area on the park master plan that may need to be considered with future development. He referred to the area along Little Llagas Creek. He said that there is a potential to incorporate this area as a linear park and recommended that it be included in the Community Park master plan as phase 5. He said that it has been included on the list as an area to install a nature trail along the creek. Artist in the community believe that a wildlife sculpture trail can be designed. He felt that there was a wonderful opportunity to develop and include this area in the future development of Community Park.

Council Member Sellers said that it was his understanding, in looking at phase 4, that a trail corridor has been included. He stated that there is an expectation that a trail corridor would be part of the indoor recreation center development.

Mr. Steinmetz noted that there is an area designated for a wildlife trail as part of the indoor recreation center. He indicated that the City was awarded grant funding for the trail corridor.

Council Member Carr stated his appreciation of the work done by staff, the Parks & Recreation Commission and others. He was pleased that the renovation and additional tennis courts would be included as part of phase 1 as it will allow tennis groups to host tennis tournaments. He was also pleased that the restroom facility would be improved as part of phase I.

Vote: The motion carried unanimously (5-0).

15. AGREEMENT TO PARTICIPATE AS NON-VOTING LOCAL PARTNER TO PREPARE SANTA CLARA VALLEY HABITAT CONSERVATION PLAN/NATURAL COMMUNITY CONSERVATION PLAN (HCP/NCCP)

Director of Community Development Molloy Previsich presented the staff report, indicating that the Habitat Conservation Plan and the Natural Community Conservation Plan is an inter jurisdictional planning effort. She said that the City has the opportunity to join the current members consisting of VTA, Santa Clara Valley Water District, City of San Jose and Santa Clara County; working with the U.S. Fish and Wildlife and California State Fish and Game Department. She said that this group is preparing a Habitat Conservation Plan and a Natural Community Conservation Plan that will address potential impacts on species and habitats of future development in South County. This plan will have a regional, consolidated approach to mitigations that creates and preserves other conditions that would protect species and habitats versus the case by case approach. She indicated that the cost to Morgan Hill would be \$111,000 in the first year, \$50,000 the second year, and \$100,000 the third year should the City of Gilroy not participate. She informed the Council that these costs would be reduced should the City of Gilroy decide to participate. She stated that there are grants available and that if attained, would adjust future costs. The offer to join the effort is at half cost as a non voting member. She said that the process is based on consensus and that it is the expectation that voting will be rare. She stated that the

City of Morgan Hill Joint Special & Regular City Council and Special Redevelopment Agency Meeting Minutes – August 3, 2005 Page - 29 –

end product would still need to be adopted locally before implementation. She stated that Community Development and Public Works staff are recommending that the City of Morgan Hill participate in this jurisdictional effort. She indicated that funding has been identified from impact fees, general plan update fees, and community development funds. She noted that the County's project manager for this effort is Ken Schreiber. In the future, staff would return to the Council seeking permission to enter into the planning agreement. At that time, staff would recommend a member of the Council be identified to serve on the governor body.

Mayor Kennedy indicated that the Transportation & Regional Planning subcommittee reviewed this item and recommends approval, somewhat reluctantly. He stated that this is a situation such that the City has been invited to participate, but is not given the vote. The subcommittee reluctantly supports being a part of this effort as it will benefit the City in the long run.

Mayor Kennedy opened the floor to public comment. No comments were offered.

Action: On a motion by Council Member Grzan and seconded by Council Member Sellers, the City Council unanimously (5-0) Authorized the City Manager to Execute the Non-Voting Local Partner Agreement.

Action:

On a motion by Council Member Grzan and seconded by Council Member Sellers, the City Council unanimously (5-0) Amended the Fiscal Year 2005-2006 Budget to Include \$111,000 in the General Plan Update Contract Services Account for the HCP/NCCP from the Following Sources: \$31,000 General Plan Update Fund (facilitates Open Space & Conservation Elements of GP); \$20,000 Community Development Fund (facilitates environmental reviews of projects); \$10,000 Water Impact Fund (facilitates permitting for water projects); \$10,000 Sewer Impact Fund (facilitates permitting for parks projects); \$10,000 Storm Drainage Impact Fund (facilitates permitting for storm drainage projects); and \$20,000 Traffic Impact Fund (facilitates permitting for roadway projects)

Action: On a motion by Council Member Grzan and seconded by Council Member Sellers, the City Council unanimously (5-0) Authorized Transmittal of the First Year's \$111,000 to the County of Santa Clara.

16. <u>COMMITMENT TO ANNEX UNINCORPORATED ISLANDS LOCATED WITHIN</u> <u>THE URBAN SERVICE AREA</u>

Director of Community Development Molloy Previsich informed the Council that LAFCo is urging cities to move forward with incorporation of unincorporated pocket areas; noting that LAFCo has identified 17 pocket areas located within the city limits. She stated that using the island annexation procedure will save the land owners and the City funds as Santa Clara County and LAFCo will be waiving certain costs. However, the agreement to be sent to LAFCo notes that if annexations are not completed, the City would be billed for the time associated with an annexation that did not get completed.

City of Morgan Hill Joint Special & Regular City Council and Special Redevelopment Agency Meeting Minutes – August 3, 2005 Page - 30 –

Mayor Kennedy opened the floor to public comment. No comments were offered.

Council Member Sellers indicated that the Transportation & Regional Planning subcommittee has reviewed this item and support staff's recommended action as the benefits would be long term and significant.

Action: On a motion by Council Member Sellers and seconded by Council Member Grzan, the

City Council unanimously (5-0) <u>Directed</u> Staff to Prepare Initiation of Island Annexations Under the Provision of Government Code Section 56375.3, for those

Identified on the Chart provided in the staff report.

<u>Action:</u> On a motion by Council Member Sellers and seconded by Council Member Grzan, the

City Council unanimously (5-0) <u>Requested</u> that the County Provide the Necessary Mapping, Legal Descriptions, and Surveyor's Reports for the Islands Identified in the

Chart provided in the staff report.

FUTURE COUNCIL-INITIATED AGENDA ITEMS

Mayor Kennedy indicated that the Cochrane Plaza Shopping Center owners have requested a change in the initiative that governs whether a grocery store can be located at the shopping center site. He noted that it would take a vote of the citizens to change this condition. He recommended that the Community & Economic Development Committee consider the request of the shopping center owners.

Council Member Sellers stated that the Community & Economic Development Committee will be meeting next week and that although they have a full agenda, they would review the request.

Mayor Pro Tempore Tate recommended that as part of the ½ day Council retreat requested by Council Member Grzan to conduct a mid-year review of Council goals, the Council reviews its subcommittee structure to discuss what is/is not working well in the ½ day study session.

Mayor Kennedy requested that staff investigate whether there are any League of California Cities opportunities that the Council can attend.

Mayor Kennedy recommended that continued closed session item(s) be deferred to another meeting.

ADJOURNMENT

There being no further business, Mayor/Chairman Kennedy adjourned the meeting at 11:25 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK/AGENCY SECRETARY



REDEVELOPMENT AGENCY STAFF REPORT

MEETING DATE: August 24, 2005

JULY 2005 FINANCE & INVESTMENT REPORT

Agenda Item #20	
Prepared By:	
Finance Director	
Submitted By:	
Executive director	

RECOMMENDED ACTION:

Accept and File Report

EXECUTIVE SUMMARY: Attached is the monthly Finance and Investment Report of the Redevelopment Agency of the City of Morgan Hill for the month of July 2005. The report covers activity for the first month of the 2005/2006 fiscal year. A summary of the report is included on the first page for the Board's benefit.

The Redevelopment Agency monthly Finance and Investment Report is presented to the Agency Board and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity of the Redevelopment Agency.

FISCAL IMPACT: As presented.

REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL

Monthly Financial and Investment Reports

July 31, 2005 – 8% Year Complete



Prepared by:

FINANCE DEPARTMENT



REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL, CALIFORNIA

FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2005/06 FOR THE MONTH OF JULY 2005 - 8% OF YEAR COMPLETE

Revenues

Through July 31, the Redevelopment Agency received \$151,823 in property tax increment revenues. Most property tax increment revenues are received in December and April. The Redevelopment Agency, as of July 31, 2005, has collected \$100,000,000 in tax increment revenue under the original plan and has collected \$78,817,094, net of pass-through obligations to other agencies, toward the plan amendment cap of \$147,000,000. All tax increment revenues collected during 2005/2006 were collected under the plan amendment.

An amount of \$4,746 in interest earnings and other income was received during July. Additional interest earnings for July have not yet been apportioned, but will be following the quarter ending September 30.

Expenditures

Total Redevelopment Agency Capital Projects expenditures and encumbrances equaled \$6,253,183 and were 22% of budget. Of this total, \$6,017,950 represented encumbrances for capital projects and other commitments. If the encumbrances were excluded, the RDA would have spent only 1% of the budget. Expenditures for administrative costs for employee services, supplies, and contract services were 11% of budget. During July 2005, CIP project expenditures totaled \$124,370.

Expenditures plus encumbrances for Housing were at 1% of the budget for a total of \$81,193. All of the 2005/06 housing related expenditures have been funded with tax increment collected under the plan amendment.

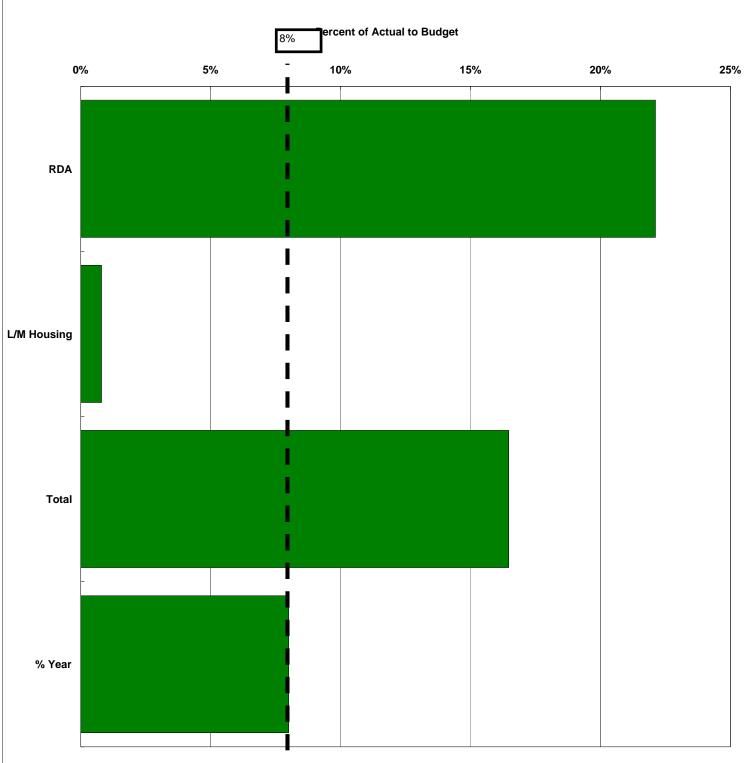
Fund Balance

The unreserved fund balance of \$4,186,447 for the Capital Projects Fund at July 31, 2005, consisted entirely of monies collected under the plan amendment. The unreserved fund balance included future obligations to pay an additional \$2.7 million for the Courthouse Facility and \$1.61 million for the Lomanto property should the Agency agree to execute its option to purchase in accordance with the agreement. If all these future commitments are subtracted from the \$4,186,447, the remaining unreserved fund balance at July 31 would be a negative (\$123,553). However, these commitments are expected to be paid out over the next 2 to 3 years. Property tax increment receipts in the near future will provide the resources necessary to carry the Agency through the remainder of this fiscal year. The Capital Projects Fund cash balance at July 31 was \$11,069,146.

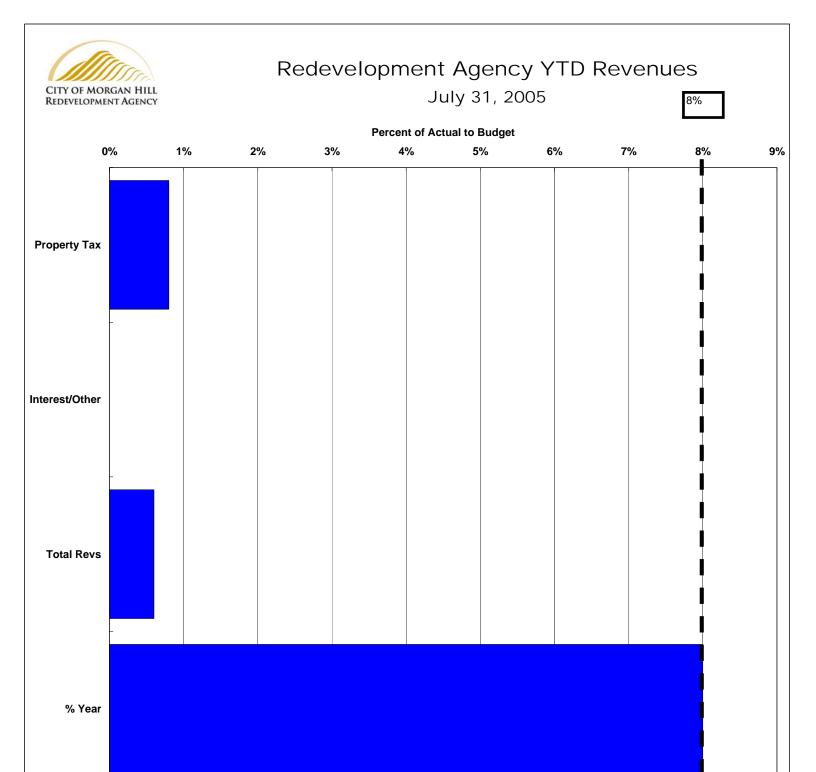
The unreserved fund balance of \$6,566,674 for the Housing Fund at July 31 consisted of funds all collected under the plan amendment.



Redevelopment Agency YTD Expenditures July 31, 2005



Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
CAPITAL PROJECTS	\$28,279,211	\$6,253,183	22%
HOUSING	10,191,842	81,193	1%
TOTALS	\$38,471,053	\$6,334,376	16%



REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY TAXES	\$19,571,636	\$151,823	1%	\$19,455	680%
INTEREST INCOME/RENTS/OTHER	#VALUE!	\$4,746	#VALUE!	\$1,187	300%
TOTALS	\$24,380,033	\$156,569	1%	\$20,642	658%



Redevelopment Agency
Fund Balance Report - Fiscal Year 2005/06
For the Month of July 2005
8% of Year Complete

		Unaudited	Revenues		Expenditures		Year to-Date	Ending Fund Balance		Cash and In	vestments
Fund		Fund Balance	YTD	% of	YTD	% of	Deficit or				
No.	Fund	06-30-05	Actual	Budget	Actual	Budget	Carryover	Reserved ¹	Unreserved	Unrestricted	Restricted
317	CAPITAL PROJECTS	\$10,387,739	122,939	1%	235,233	1%	(112,294)	6,088,998	4,186,447	\$11,069,146	
			,		,				, ,		
327/328	HOUSING	\$6,614,236	33,630	1%	63,287	1%	(29,657)	17,906	\$6,566,674	\$6,869,548	
TOTAL C	APITAL PROJECT FUNDS	<u>\$17,001,975</u>	156,569	<u>1%</u>	298,520	<u>1%</u>	(141,951)	6,106,904	10,753,122	17,938,694	
									•		
SUMMAR	Y BY FUND TYPE										
	CAPITAL PROJECTS GROUP	\$17,001,975	156,569	1%	298,520	1%	(141,951)	6,106,904	10,753,122	17,938,694	
			•				, , , , ,				
	TOTAL ALL GROUPS	\$17,001,975	156,569	1%	298,520	1%	(141,951)	6,106,904	10,753,122	17,938,694	
	TOTAL CASH AND INVESTMENTS									17,938,694	

¹ Amount reserved for encumbrances, fixed asset replacement, long-term receivables



Redevelopment Agency Year to Date Revenues - Fiscal Year 2005/06 For the Month of July 2005 8% of Year Complete

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGETED	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCREASE (DECREASE) FROM PRIOR YTD	% CHANGE
CAPITAL PROJECTS FUNDS							
317 CAPITAL PROJECTS							
Property Taxes & Supplemental Roll	15,169,461	15,169,461	121,458	1%	-	121,458	n/a
Loan Proceeds	4,500,000	4,500,000	-	n/a	-	-	n/a
Interest Income, Rents	297,947	297,947	1,096	0%	969	127	13%
Other Agencies/Current Charges			385	<u>n/a</u>	124	261	<u>210%</u>
TOTAL CAPITAL PROJECTS	19,967,408	19,967,408	122,939	<u>1%</u> _	1,093	121,846	<u>11148%</u>
327/328 HOUSING							
Property Taxes & Supplemental Roll	4,402,175	4,402,175	30,365	1%	19,455	10,910	56%
Interest Income, Rent	10,450	10,450	2,325	22%	84	2,241	2668%
Other	-	-	940	<u>na</u>	10	930	<u>9300%</u>
TOTAL HOUSING	4,412,625	4,412,625	33,630	<u>1%</u> _	19,549	14,081	<u>72%</u>
TOTAL CAPITAL PROJECTS FUNDS	24,380,033	24,380,033	156,569	1%	20,642	135,927	658%



Redevelopment Agency Year to Date Expenditures - Fiscal Year 2005/06 For the Month of July 2005 8% of Year Complete

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENDITURES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENDITURES	OUTSTANDING ENCUMBRANCES	TOTAL ALLOCATED	% OF TOTAL TO BUDGET
317 CA	PITAL PROJECTS							
	BAHS Administration BAHS Economic Developme BAHS CIP	108,906 1,957 124,370	1,576,311 3,993,900 22,709,000	1,576,311 3,993,900 <u>22,709,000</u>	108,906 1,957 124,370	62,430 114,352 <u>5,841,168</u>	171,336 116,309 5.965,538	11% 3% <u>26%</u>
тот	AL CAPITAL PROJECTS	235,233	28,279,211	28,279,211	235,233	6,017,950	6,253,183	<u>22%</u>
327 AN	D 328 HOUSING							
	Housing	63,287	10,191,842	10,191,842	63,287	17,906	81,193	<u>1%</u>
TO	TAL HOUSING	63,287	10,191,842	10,191,842	63,287	17,906	81,193	<u>1%</u>
TOTAL	CAPITAL PROJECT FUND	298,520	38,471,053	38,471,053	298,520	6,035,856	6,334,376	16%

Redevelopment Agency of the City of Morgan Hill Balance Sheet Report - Fiscal Year 2005/06 For the Month of July 2005 8% of Year Complete

	CAPITAL PROJECTS (Fund 317)	Housing (Fund 327/328)
ASSETS	(Canada and	(* 5.11.5 - 5
Cash and investments: Unrestricted Accounts Receivable Loans Receivable ¹	11,069,146 24,541 3,592,525	6,869,548 31,671,047
Advance to Other Funds Fixed Assets ² Other Assets	71,049	31,071,047
Total Assets	14,757,261	38,540,595
LIABILITIES		
Accounts Payable and Accrued Liabilities Deferred Revenue ³ Accrued Vacation and Comp Time	741,556 3,629,397	23,816 31,932,199
Total liabilities	4,370,953	31,956,015
FUND BALANCE		
Fund Balance		
Reserved for:		
Encumbrances Advance to Other Funds Properties Held for Resale Loans and Notes Receivable	6,017,949 71,049	17,906
Total Reserved Fund balance	6,088,998	17,906
Unreserved Fund Balance	4,297,310	6,566,674
Total Fund Balance	10,386,308	6,584,580
Total Liabilities and Fund Balance	14,757,261	38,540,595

¹ Includes Housing Rehab loans and loans for several housing and Agency projects.

² Includes RDA properties held for resale.

³ Includes the deferred payment portion of the loans noted above.



CITY COUNCIL STAFF REPORT MEETING DATE: August 24, 2005

JULY 2005 FINANCE & INVESTMENT REPORT

Prepared By:
Finance Director
Submitted By:
City Manager

Agenda Item # 21

RECOMMENDED ACTION:

Accept and File Report

EXECUTIVE SUMMARY:

Attached is the monthly Finance and Investment Report for the period ended July 31, 2005. The report covers the first month of activity for the 2005/2006 fiscal year. A summary of the report is included on the first page for the City Council's benefit.

The monthly Finance and Investment Report is presented to the City Council and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity in the City, including the Redevelopment Agency. The Redevelopment Agency receives a separate report for the fiscal activity of the Agency at the meeting of the Agency. Presenting this report is consistent with the goal of *Maintaining and Enhancing the Financial Viability of the City*.

FISCAL IMPACT: as presented

CITY OF MORGAN HILL Monthly Financial and Investment Reports

July 31, 2005 – 8% Year Complete



Prepared by:

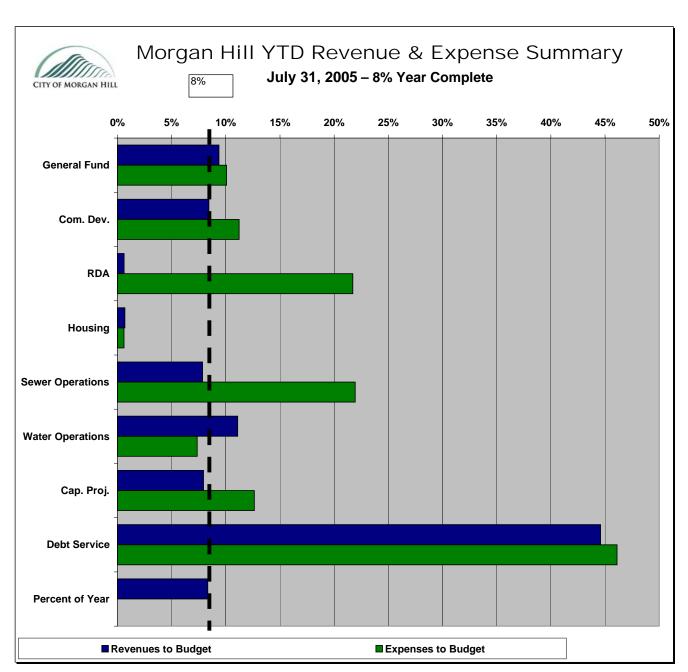
FINANCE DEPARTMENT



CITY OF MORGAN HILL, CALIFORNIA FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2005/06 FOR THE MONTH OF JULY 2005 - 8% OF YEAR COMPLETE

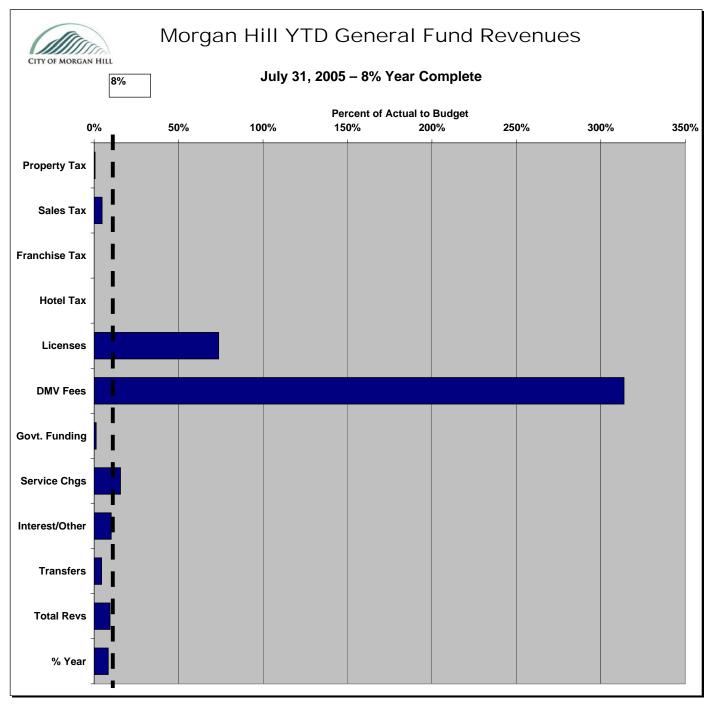
This analysis of the status of the City's financial situation reflects 8% of the year. However, this analysis is somewhat limited. Many of the City's current year revenues have not been received as of this time of the year, such as property taxes, transient occupancy taxes and franchise fees. In addition, certain audit adjustments will be made that affect both June and July revenues. The beginning of a fiscal year normally reflects a surge in purchasing. This is due to the start of projects included in the new budget and to the season to take advantage of good weather for construction projects.

- * General Fund The revenues received in the General Fund were approximately 9% of the budgeted revenues. Only \$26,488 in property related taxes have been received by the City. The amount of Sales Tax collected was 5% of the sales tax revenue budget and was 12% less than the amount collected for the same period last year. This low percentage and drop in sales taxes compared to last year are the result of the timing of sales tax receipts. Unlike the beginning of last fiscal year, the City must wait, under the triple flip legislation, until late in the year to receive 25% of its sales tax revenues. Business license and other permit collections were 74% of the budgeted amount. Business license renewal fees were due in July; therefore the higher percent of budget collected early in the year is normal. Motor Vehicle-in-Lieu revenues were \$592,115, or 314% of the budgeted amount. The \$592,115 represented motor vehicle in-lieu fees taken from Morgan Hill by the State in 2003/04, and owed back to the City, that, under the recent State budget, were paid to the City in 2005/06 rather than in 2006/07, as expected. Interest & Other Revenue were 10% of budget and do not reflect July interest earnings that will be posted in October as part of earnings for the quarter ending September.
- * The General Fund expenditures and encumbrances to date totaled 10% of the budgeted appropriations. The outstanding encumbrances in several activities are encumbrances for projects started but not completed in the prior year and carried forward to the current fiscal year.
- * Transient Occupancy (Hotel) Tax The TOT rate is 10%. The City receives transient occupancy taxes on a quarterly basis. Taxes for the first quarter ending September 30 have not yet been received and will be received by the City after the end of the quarter.
- * Community Development Revenues were 8% of budget, which was 38% less than the amount collected in the like period for the prior year. Planning expenditures plus encumbrances were 13% of budget; Building has expended or encumbered 12% of budget and Engineering 9%. Community Development has expended or encumbered a combined total of 11% of the 2005/06 budget, including \$392,201 in encumbrances. If encumbrances were excluded, Community Development would have spent only 5% of the combined budget.
- * **RDA and Housing** Only \$151,823 in property tax increment revenues have been received as of July 31, 2005. Expenditures plus encumbrances totaled 16% of budget. If encumbrances totaling \$6,035,855 were excluded, the RDA would have spent only 1% of the combined budget.
- * Water and Sewer Operations- Water Operations revenues, including service fees, were 11% of budget. Expenditures totaled 7% of appropriations. Sewer Operations revenues, including service fees, were 8% of budget. Expenditures for sewer operations were 22% of budget. This higher percentage results from a principal and interest payment on debt service paid in July.
- * **Investments maturing/called/sold during this period.** There were no investment transactions during the month of July. Further details of investments are included on pages 6-8 of this report.

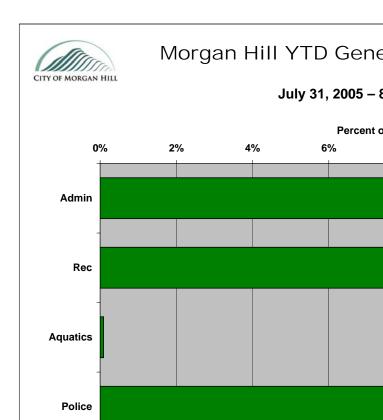


	REVENU	ES	EXPENS	ES	7/31/2005
		% OF	ACTUAL plus	% OF	UNRESTRICTED
FUND NAME	ACTUAL	BUDGET	ENCUMBRANCES	BUDGET	FUND BALANCE
0	\$4.755.000	00/	00.040.044	400/	#0.400.047
General Fund	\$1,755,033	9%		10%	\$9,102,347
Community Development	255,053	8%	392,201	11%	2,212,123
RDA	122,939	1%	6,142,319	22%	4,297,310
Housing/CDBG	33,656	1%	206,805	1%	6,005,173
Sewer Operations	466,121	8%	1,489,176	22%	1,802,149
Sewer Other	276,767	12%	1,282,467	41%	12,238,368
Water Operations	849,311	11%	625,799	7%	4,272,880
Water Other	28,512	2%	2,036,802	33%	-394,781
Other Special Revenues 1	30,238	3%	185,340	7%	3,560,326
Capital Projects & Streets Funds	791,216	8%	1,816,302	13%	25,977,451
Debt Service Funds	324,185	45%	329,627	46%	858,312
Internal Service	337,161	6%	688,163	14%	4,908,769
Agency		n/a	4,520	0%	4,215,663
TOTAL FOR ALL FUNDS	\$5,270,192	6%	\$17.217.562	16%	\$79.056.091

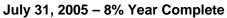
¹ Includes all Special Revenue Funds except Community Development, CDBG, and Street Funds

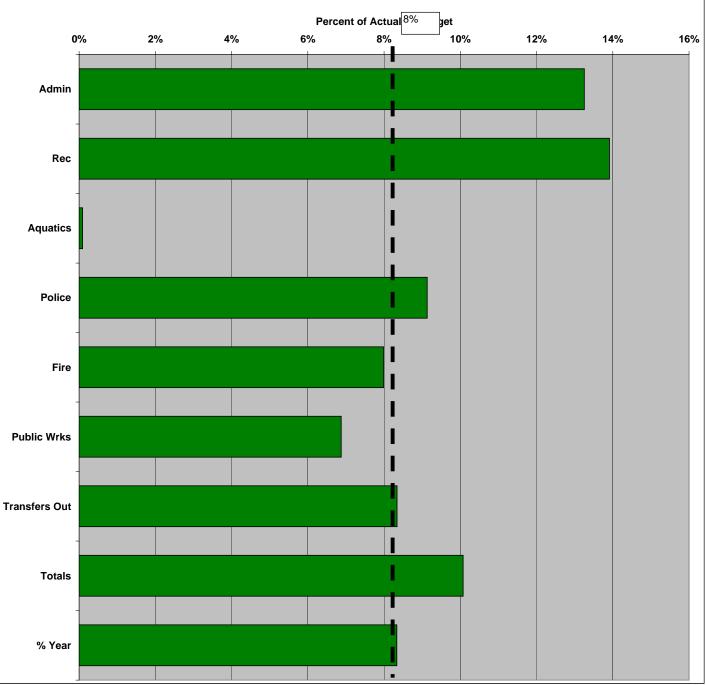


			% OF	PRIOR YEAR	% CHANGE FROM
REVENUE CATEGORY	BUDGET	ACTUAL	BUDGET	TO DATE	PRIOR YEAR
PROPERTY RELATED TAXES	\$4,911,595	\$26,488	1%		
SALES TAXES	\$5,724,600	\$271,100	5%	\$307,500	-12%
FRANCHISE FEE	\$1,030,700				
HOTEL TAX	\$974,560				
LICENSES/PERMITS	\$161,680	\$119,204	74%	\$178,900	-33%
MOTOR VEHICLE IN LIEU	\$188,776	\$592,115	314%	\$166,046	257%
FUNDING - OTHER GOVERNMENTS	\$246,400	\$3,042	1%		
CHARGES CURRENT SERVICES	\$3,890,825	\$606,610	16%	\$581,221	4%
INTEREST & OTHER REVENUE	\$1,151,300	\$116,374	10%	\$65,953	76%
TRANSFERS IN	\$451,865	\$20,100	4%	\$23,175	-13%
TOTALS	\$18,732,301	\$1,755,033	9%	\$1,322,795	33%



Morgan Hill YTD General Fund Expenditures





		Actual Plus	
Expenditure Category	Budget	Encumbrances	% of Budget
ADMINISTRATION	4,511,036	598,561	13%
RECREATION/CCC	1,591,086	221,357	14%
AQUATICS	85,665	78	0%
POLICE	8,758,066	799,623	9%
FIRE	4,377,495	349,541	8%
PUBLIC WORKS	698,893	48,047	7%
TRANSFERS OUT	10,000	834	8%
TOTALS	\$ 20,032,241	\$ 2,018,041	10%



City of Morgan Hill Fund Activity Summary - Fiscal Year 2005/06 For the Month of July 2005 8% of Year Completed

		100000000000000000000000000000000000000	_	U/U UI I Ca	r Completed		Year to-Date Ending Fund Balance				
l		Unaudited	Revenues	0/ 1	Expenses	0/ 1	Year to-Date	Ending Fun	d Balance	Cash and In	vestments
Fund		Fund Balance	YTD	% of	YTD	% of	Deficit or	4			2
No.	Fund	06-30-05	Actual	Budget	Actual	Budget	Carryover	Reserved	Unreserved	Unrestricted	Restricted ²
010	GENERAL FUND	\$9,365,355	\$1,755,033	9%	\$1,682,299	8%	\$72,734	\$335,742	\$9,102,347	\$9,157,498	\$6,312
TOTAL G	ENERAL FUND	<u>\$9,365,355</u>	<u>\$1,755,033</u>	<u>9%</u>	<u>\$1,682,299</u>	<u>8%</u>	<u>\$72,734</u>	<u>\$335,742</u>	<u>\$9,102,347</u>	<u>\$9,157,498</u>	<u>\$6,312</u>
202	STREET MAINTENANCE	\$1,202,084	\$50,338	1%	\$100,245	2%	(\$49,907)	\$136,895	\$1,015,282	\$1,302,664	
204/205	PUBLIC SAFETY/SUPPL. LAW	\$255,887	, ,	n/a	\$14,627	8%	(\$14,627)	*	\$241,260	\$241,261	
206	COMMUNITY DEVELOPMENT	\$2,349,271	\$255,053	8%	\$188,813	5%	\$66,240	\$203,388	\$2,212,123	\$2,481,572	
207	GENERAL PLAN UPDATE	\$304,737	\$12,322	8%	\$2,505	2%	\$9,817	\$87,652	\$226,902	\$315,442	
210	COMMUNITY CENTER	\$153,032	, ,-	n/a	+ /	n/a	¥ - , -	** /**	\$153,032	\$153,032	
215 / 216	CDBG	48.703	\$26	0%	\$1,288	0%	(\$1,262)	608,942	(\$561,501)	\$50,916	
225	ASSET SEIZURE	\$8,879	·	n/a		n/a	· · · /	\$2,492	\$6,387	\$8,879	
229	LIGHTING AND LANDSCAPE	(\$4,425)		n/a	\$5,121	4%	(\$5,121)	\$17,855	(\$27,401)	(\$9,022)	
232	ENVIRONMENTAL PROGRAMS	\$777,124	\$754	0%	\$10,414	3%	(\$9,660)	\$44,550	\$722,914	\$771,473	
234	MOBILE HOME PK RENT STAB.	\$167,033	·	n/a	\$124	3%	(\$124)		\$166,909	\$166,792	
235	SENIOR HOUSING	\$250,165		n/a			(, ,		\$250,165	\$250,165	
236	HOUSING MITIGATION	\$1,141,855	\$15,000	11%	-		\$15,000	-	\$1,156,855	\$2,348,071	
240	EMPLOYEE ASSISTANCE	\$75,792	\$2,162	5%	-		\$2,162		\$77,954	\$76,961	
247	ENVIRONMENT REMEDIATION	\$585,349	-	n/a					\$585,349	\$585,349	
TOTAL S	PECIAL REVENUE FUNDS	<u>\$7,315,486</u>	<u>\$335,655</u>	<u>4%</u>	<u>\$323,137</u>	<u>3%</u>	<u>\$12,518</u>	<u>\$1,101,774</u>	\$6,226,230	<u>\$8,743,554</u>	
204	DARK DEV IMPACT FUND	£4.740.740	¢50.044	70/	#0.050	00/	#F0.000	C445 400	£4.050.044	П	£4.770.007
301	PARK DEV. IMPACT FUND	\$4,718,749	\$56,244	7%	\$2,956	0%	\$53,288	\$115,196	\$4,656,841	#0.550.705	\$4,772,037
302	PARK MAINTENANCE	\$3,546,287	\$8,180	2%	\$833	0% 0%	\$7,347	\$312	\$3,553,322	\$3,552,725	ФО 00E 040
303	LOCAL DRAINAGE NON AB1600	\$3,792,298	\$33,649	3%	\$128		\$33,521		\$3,825,819	f2 262 402	\$3,825,819
304	LOCAL DRAINAGE/NON-AB1600	\$3,449,776	\$19,000	5%	\$6,373	1%	\$12,627	640.000	\$3,462,403	\$3,362,403	
306	OPEN SPACE	\$1,247,898	\$67,712	40% 40%	фг гоо	00/	\$67,712	\$10,000	\$1,305,610	\$1,316,519	₾0.005.400
309	TRAFFIC IMPACT FUND	\$3,552,760	\$452,435		\$5,528	0%	\$446,907	\$750,866	\$3,248,801		\$3,985,192
311	POLICE IMPACT FUND	\$176,826	\$4,313	4%	\$171,664	68%	(\$167,351)	\$10,000	(\$525)		\$9,476
313	FIRE IMPACT FUND	\$2,511,650	\$6,209	3%	\$115	0%	\$6,094	0.000.000	\$2,517,744	011.000.110	\$2,517,745
317	REDEVELOPMENT AGENCY	10,387,739	\$122,939	1%	\$124,370	0%	(\$1,431)	6,088,998	\$4,297,310	\$11,069,146	
	HOUSING	6,614,237	\$33,630	1%	\$63,287	1%	(\$29,657)	17,906	\$6,566,674	\$6,869,548	
340/342	MORGAN HILL BUS.RANCH I & II	24,363	Φ 7 0.000	n/a	-		#70.000	- man and	\$24,363	\$24,365	# 400 404
346	PUBLIC FACILITIES NON-AB1600	\$684,597	\$76,000	33%	-	00/	\$76,000	\$432,083	\$328,514	\$791,342	\$182,461
347	PUBLIC FACILITIES IMPACT FUND	434,965	\$8,809	11%	\$114	8%	\$8,695	-	\$443,660		\$443,661
348	LIBRARY IMPACT FUND	\$574,097	\$3,285	3%	\$17	8%	\$3,268	00.045	\$577,365	# 4 040 050	\$577,365
350	UNDERGROUNDING	1,012,766	- 5.040	n/a	\$32	0% 0%	(\$32)	82,945	\$929,789	\$1,019,852	
360	COMM/REC CTR IMPACT FUND	\$83,421	5,042	n/a		* * * * * * * * * * * * * * * * * * * *	\$5,042		\$88,463	\$88,463	
TOTAL C	APITAL PROJECT FUNDS	<u>\$42,812,429</u>	<u>\$897,447</u>	<u>3%</u>	<u>\$375,417</u>	<u>1%</u>	<u>\$522,030</u>	<u>\$7,508,306</u>	<u>\$35,826,153</u>	<u>\$28,094,363</u>	<u>\$16,313,755</u>
441	POLICE FACILITY BOND DEBT	\$456,528	324,185	n/a	328,155		(\$3,970)		\$452,558		\$452,403
545	COCHRANE BUSINESS PARK	\$372,563	-	n/a	751	2%	(\$751)		\$371,812	\$190,863	\$180,950
551	JOLEEN WAY	\$34,663		n/a	\$721	2%	(\$721)		\$33,942	\$16,692	\$17,250
TOTAL D	EBT SERVICE FUNDS	<u>\$863,754</u>	<u>\$324,185</u>	<u>45%</u>	<u>\$329,627</u>	<u>46%</u>	<u>(\$5,442)</u>		<u>\$858,312</u>	<u>\$207,555</u>	<u>\$650,603</u>

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City of Morgan Hill Fund Activity Summary - Fiscal Year 2005/06 For the Month of July 2005 8% of Year Completed

641 642 643	Fund SEWER OPERATIONS	Unaudited Fund Balance 06-30-05	YTD Actual	% of	Expenses YTD	% of	Year to-Date Deficit or	Ending Fun	d Balance	Cash and In	vestments
No. 640 641 642 643				% of	YIU	% of	Deficit or				
640 641 642 643		06-30-05	Actual					1			
641 642 643	SEWER OPERATIONS		Actual	Budget	Actual	Budget	Carryover	Reserved	Unreserved	Unrestricted	Restricted ²
641 642 643	SEWER OPERATIONS										
642 643	DEWER OF ERVITORS	\$14,058,232	\$466,121	8%	\$1,431,705	21%	(\$965,584)	\$11,290,499	\$1,802,149	\$1,509,153	\$1,894,501
643	SEWER IMPACT FUND	10,788,950	\$276,767	15%	\$130,271	5%	\$146,496	4,652,460	\$6,282,986		\$6,991,690
	SEWER RATE STABILIZATION	\$4,565,122		n/a	\$176	8%	(\$176)		\$4,564,946	\$4,564,946	
	SEWER-CAPITAL PROJECTS	9,009,662		n/a	\$5,700	2%	(\$5,700)	7,613,526	\$1,390,436	\$1,930,243	
650	WATER OPERATIONS	\$24,021,089	\$849,311	11%	\$239,382	3%	\$609,929	\$20,358,138	\$4,272,880	\$3,614,463	\$414,806
651	WATER IMPACT FUND	8,143,893	\$22,679	4%	\$8,015	0%	\$14,664	10,012,162	(\$1,853,606)		\$4,037,661
652	WATER RATE STABILIZATION	\$26,843	\$5,833	1%	\$41	8%	\$5,792		\$32,635	\$32,635	
653	WATER -CAPITAL PROJECT	9,693,945		n/a	\$27,570	3%	(\$27,570)	8,240,187	\$1,426,190	\$3,443,041	\$206,180
TOTAL EN	NTERPRISE FUNDS	\$80,307,736	\$1,620,711	9%	\$1,842,860	9%	(\$222,149)	\$62,166,972	\$17,918,616	\$15,094,482	\$13,544,836
TO TALL LIN	11210 1002 1 0100	400,007,700	<u> </u>	<u>070</u>	<u>\$1,042,000</u>	<u>070</u>	<u>(\$222,140)</u>	<u> </u>	\$17,010,010	<u> </u>	<u>\$10,044,000</u>
730	DATA PROCESSING	302,984	\$21,183	8%	\$2,688	1%	\$18,495	123,728	\$197,751	\$289,252	
	BUILDING MAINTENANCE	1,036,378	\$138,873	8%	\$39,606	3%	\$99,267	16,740	\$1,118,905	\$1,213,153	
745	CIP ADMINISTRATION	27,335	\$77,893	6%	\$77,893	6%	, , , ,	19,857	\$7,478	\$100,712	
760	UNEMPLOYMENT INS.	\$44,600	, ,	n/a	. ,			,	\$44,600	\$44,600	
770	WORKER'S COMP.	105,474		n/a	\$138,737	18%	(\$138,737)	-	(\$33,263)	\$681,242	\$40,000
790	EQUIPMENT REPLACEMENT	3,551,651	\$35,275	7%	\$214	0%	\$35,061	543,401	\$3,043,311	\$3,043,310	•
793	CORPORATION YARD	224,389	, ,	n/a	\$3.193	na	(\$3,193)	231,711	(\$10,515)	(\$5.020)	
795	GEN'L LIABILITY INS.	\$768,618	\$63,937	13%	\$292,053	61%	(\$228,116)	- /	\$540,502	\$603,577	
TOTAL IN	TERNAL SERVICE FUNDS	\$6,061,429	\$337,161	6%	\$554,384	12%	(\$217,223)		\$4,908,769	\$5,970,826	\$40,000
TOTALIN	TERRAL CERTICE I CREC	<u>ψ0,001,425</u>	ψοον,τοι	<u>070</u>	ψυυτ,υυτ	12/0	(ψΣ11,ΣΣΟ)		ψ+,500,105	<u> </u>	<u> </u>
820	SPECIAL DEPOSITS									\$1,134,983	
	M.H. BUS.RANCH A.D.	\$261,768		n/a		n/a			\$261,768	\$261,768	
842	M.H. BUS. RANCH II A.D.	\$23,321	-	n/a		n/a			\$23,321	\$23,321	
	M.H. BUS. RANCH 1998	\$1,548,268		n/a	\$948	0%	(\$948)		\$1,547,320	\$657,148	\$890,172
	MH RANCH RSMNT 2004A	\$765,838			\$1,181	0%	(\$1,181)		\$764,657	\$359,525	\$405,132
845	MADRONE BP-TAX EXEMPT	\$1,050,318			\$1,171	0%	(\$1,171)		\$1,049,147	\$413,490	\$636,881
846	MADRONE BP-TAXABLE	\$79,077		n/a	\$660	1%	(\$660)		\$78,416	\$65,739	\$12,680
848	TENNANT AVE.BUS.PK A.D.	\$469,607		n/a	\$560	na	(\$560)		\$469,047	\$469,046	
881	POLICE DONATION TRUST FUND	\$21,987		n/a					\$21,987		\$21,986
TOTAL AC	GENCY FUNDS	\$4,220,184		n/a	\$4,520	0%	(\$4,520)		\$4,215,663	\$3,385,018	\$1,966,851
101/12/10	52.10115126	<u> </u>		11/4	<u> </u>	<u> </u>	(4-1,020)		φ=1,2 10,000	<u> 4010001010</u>	<u> </u>
SUMMARY	Y BY FUND TYPE										
	GENERAL FUND GROUP	\$9,365,355	\$1,755,033	9%	\$1,682,299	8%	\$72,734	\$335.742	\$9,102,347	\$9,157,498	\$6,312
	SPECIAL REVENUE GROUP	\$7,315,486	\$335,655	4%	\$323,137	3%	\$12,518	\$1.101.774	\$6,226,230	\$8,743,554	Ψ0,312
	DEBT SERVICE GROUP	\$863,754	\$324,185	45%	\$329,627	46%	(\$5,442)	ψ1,101,114	\$858,312	\$207,555	\$650,603
	CAPITAL PROJECTS GROUP	\$42,812,429	\$897,447	3%	\$375,417	1%	\$522,030	\$7,508,306	\$35,826,153	\$28,094,363	\$16,313,755
	ENTERPRISE GROUP	\$80,307,736	\$1,620,711	9%	\$1,842,860	9%	(\$222,149)	\$62,166,972	\$17,918,616	\$15,094,482	\$13,544,837
	INTERNAL SERVICE GROUP	\$6,061,429	\$337,161	6%	\$554,384	12%	(\$217,223)	ΨΟΖ, ΙΟΟ, 3/2	\$4,908,769	\$5,970,826	\$40,000
	AGENCY GROUP	\$4,220,184	ψ557,101	n/a	\$4,520	0%	(\$4,520)		\$4,215,663	\$3,385,018	\$1,966,851
			AF 672 123				, , , , , , ,	674 410 70 1		. , ,	
	TOTAL ALL GROUPS	<u>\$150,946,373</u>	<u>\$5,270,192</u>	<u>6%</u>	<u>\$5,112,244</u>	<u>5%</u>	<u>\$157,948</u>	<u>\$71,112,794</u>	<u>\$79,056,091</u>	<u>\$70,653,297</u>	<u>\$32,522,358</u>
	TOTAL CASH AND INVESTMENTS									<u>\$103,175,655</u>	

For Enterprise Funds - Unrestricted fund balance = Fund balance net of fixed assets and long-term liabilities.

¹ Amount restricted for encumbrances, fixed asset replacement, long-term receivables, and bond reserves.

² Amount restricted for debt service payments and AB1600 capital expansion projects as detailed in the City's five year CIP Plan and bond agreements.



CITY OF MORGAN HILL CASH AND INVESTMENT REPORT FOR THE MONTH OF JULY 2005 FOR THE FISCAL YEAR OF 2005-06

	Invested	1	Book Value	Investment Category	% of	Market
	in Fund	Yield	End of Month	Subtotal at Cost	Total	Value
Investments	III Fullu	Heiu	Elia di Molitii	Subtotal at Cost	I Otal	value
State Treasurer LAIF - City	All Funds Pooled	3.83%	\$24,310,411		23.56%	\$24,255,653 *
- RDA	RDA	3.83%	\$8,922,209		23.56% 8.65%	\$8,902,113 *
			. , ,		0.05%	. , ,
- Corp Yard	Corp Yard	3.83%	\$53,563			\$53,442 *
Federal Issues	All Funds Pooled	3.20%	\$56,246,015		54.51%	\$55,099,085
SVNB CD	All Funds Pooled	3.60%	\$2,000,000	004 504 040	1.94%	\$2,000,000
Money Market	All Funds Pooled	3.00%	\$32,020	\$91,564,218	0.03%	\$32,020
Bond Reserve Accounts - held by trustees						
BNY - 2002 SCRWA Bonds						
MBIA Repurchase & Custody Agmt	Sewer	4.78%	\$1,849,400			
Blackrock Provident Temp Fund	00	2.44%	\$45,101		1.84%	\$1,894,501 *
US Bank - 1999 Water C.O.P.		2.1170	Ψ10,101		1.0170	Ψ1,001,001
FHLMC	Water	4.10%	\$414,806		0.40%	\$417,074 *
BNY - MH Water Revenue Bonds	water	4.1070	ψ+1+,000		0.4070	Ψ+17,07+
Blackrock Liquidity Temp Fund	Water	1.38%	\$4,722,345		4.58%	\$4,914,949 *
BNY - MH Police Facility Lease Revenue Bond		1.50 /6	Ψ4,722,343		4.5070	Ψ4,314,343
JP Morgan Treasury Plus	Debt Service	2.22%	\$182,740		0.62%	\$182,740 *
FNMA	Public Facility	4.36%	\$452,124		0.0270	\$456,247 *
US Bank - MH Ranch 98	MH Ranch	4.5076	ψ 4 32,124			Ψ430,247
First American Treasury Obligation	Agency Fund	2.54%	\$890,172		0.86%	\$890,172 *
BNY - Madrone Bus Park Tax Exempt	Madrone Bus Park	2.54 /0	φ090,172		0.00 /6	φοθο, 172
		2.40%	¢027 000		0.62%	\$637,689 *
Blackrock Liquidity Temp Fund #20 BNY - Madrone Bus Park Taxable	Agency Fund Madrone Bus Park	2.40%	\$637,689		0.62%	φ037,089
		0.400/	C4 4 440		0.040/	* 44.440 *
Blackrock Liquidity Temp Fund #20	Agency Fund	2.40%	\$14,442		0.01%	\$14,442 *
BNY - MH Ranch 2004 A	MH Ranch Bus Park	0.440/	# 405 400	#0.040.054	0.000/	#40F 400 *
Blackrock Provident Temp Fund	Agency Fund	2.44%	\$405,132	\$9,613,951	0.39%	\$405,132 *
Other Accounts/Deposits						
General Checking	All Funds		\$1,500,000		1.45%	\$1,500,000
Dreyfuss Treas Cash Management Account	All Funds		\$307,464		0.30%	\$307,464
Heritage Bank - Cash in Escrow Account	Streets/Pub Fac	0.90%	\$143,710		0.14%	\$143,710 *
Athens Administators Workers' Comp	Workers' Comp		\$40,000		0.04%	\$40,000
Petty Cash & Emergency Cash	Various Funds		\$6,312	\$1,997,486	0.01%	\$6,312
		-	+ = , = . =	¥ :,,==:,, :==		72,0:=
Total Cash and Investments			<u>\$103,175,655</u>	<u>\$103,175,655</u>	<u>100.00%</u>	<u>\$102,152,745</u>
MH Financing Authority Investment in		1.75% to				
MH Ranch AD Imprymt Bond Series 2004		4.50%	\$4,795,000			<u>Unavailable</u>
MH Madrone Bus Park Bond Series A		5.82%	\$8,620,000			Unavailable
MH Madrone Bus Park Bond Series B		7.07%	\$1,110,000			Unavailable
			<u> </u>			

CASH ACTIVITY SUMMARY FY 05/06

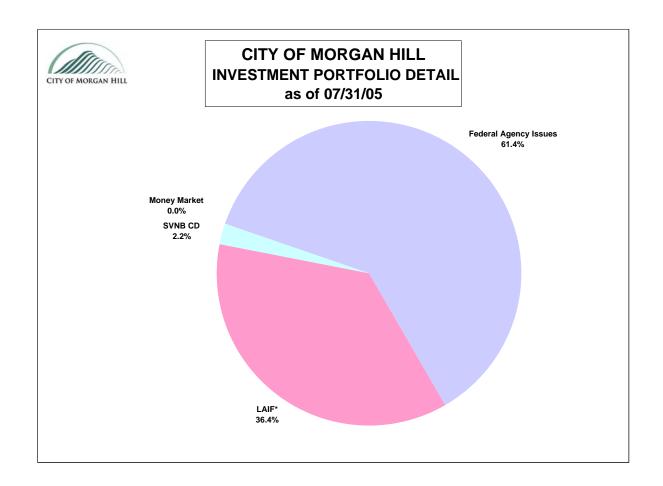
Fund Type	07/01/05 Balance	Change in Cash Balance	07/31/05 Balance	Restricted	Unrestricted
••					
General Fund	\$10,515,629	(\$1,351,819)	\$9,163,810	\$6,312	\$9,157,498
Community Development	\$2,470,199	\$11,373	\$2,481,572	\$0	\$2,481,572
RDA (except Housing)	\$12,035,427	(\$966,281)	\$11,069,146	\$0	\$11,069,146
Housing / CDBG	\$7,053,763	(\$133,299)	\$6,920,464	\$0	\$6,920,464
Water - Operations	\$4,042,987	(\$13,718)	\$4,029,269	\$414,806	\$3,614,463
Water Other	\$7,876,280	(\$156,762)	\$7,719,518	\$4,243,841	\$3,475,677
Sewer - Operations	\$4,349,785	(\$946,131)	\$3,403,654	\$1,894,501	\$1,509,153
Sewer Other	\$13,686,062	(\$199,183)	\$13,486,879	\$6,991,690	\$6,495,189
Other Special Revenue	\$4,855,265	\$53,138	\$4,908,403	\$0	\$4,908,403
Streets and Capital Projects (except RDA)	\$27,310,297	\$461,791	\$27,772,088	\$16,313,755	\$11,458,333
Assessment Districts/Debt Service	\$862,661	(\$4,503)	\$858,158	\$650,603	\$207,555
Internal Service	\$6,453,236	(\$442,410)	\$6,010,826	\$40,000	\$5,970,826
Agency Funds	<u>\$5,344,036</u>	\$7,832	\$5,351,868	\$1,966,850	\$3,385,018
Total	<u>\$106,855,627</u>	(\$3,679,972)	<u>\$103,175,655</u>	\$32,522,358	\$70,653,297

Note: See Investment Porfolio Detail for maturities of "Investments." Market values are obtained from the City's investment brokers' monthly reports.

I certify the information on the investment reports on pages 6-8 has been reconciled to the general ledger and bank statements and that there are sufficient funds to meet the expenditure requirements of the City for the next six months. The portfolio is in compliance with the City of Morgan Hill investment policy and all State laws and regulations.

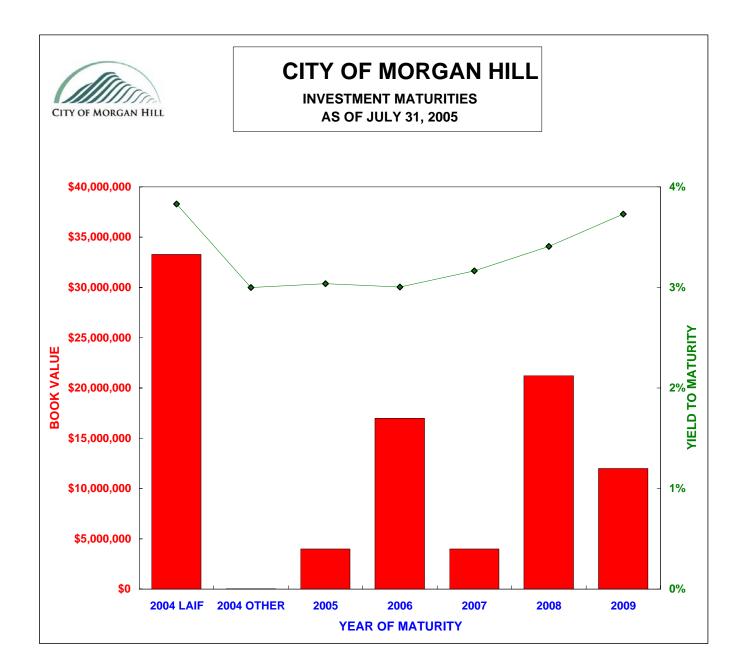
Prepared by:		Approved by:		
	Lourdes Reroma Accountant I		Jack Dilles Director of Finance	
Verified by:	Tina Reza		Mike Roorda	
	Assistant Director of Finance		City Treasurer	

^{*} Market value as of 06/30/05



Investment Type	Purchase Date	Book Value	% of Portfolio	Market Value	Stated Rate	Interest Earned	Next Call Date	Date of Maturity	Years to Maturity
LAIF*		\$33,286,183	36.35%	\$33,211,208	3.830%	\$89,764			0.003
SVNB CD	07/07/05	\$2,000,000	2.18%	\$2,000,000	3.600%	\$5,567		07/07/07	1.932
Federal Agency Issues									
Fed Home Loan Bank	05/21/04	\$2,000,000	2.18%	\$1,992,500	2.474%	\$4.168	08/21/05	11/21/05	0.307
Fed Home Loan Bank	01/25/05	\$2,000,000	2.18%	\$1,991,260	3.000%	\$5,119	01/25/06	01/25/06	0.485
Fed Home Loan Mgt Corp	10/12/04	\$2,000,000	2.18%	\$1,982,020	2.700%	\$4,574	anytime	04/12/06	0.696
Fed Home Loan Bank	02/26/04	\$2,000,000	2.18%	\$1,976,260	2.563%	\$4,390	08/26/05	05/26/06	0.816
Fed Home Loan Bank	11/29/04	\$2,000,000	2.18%	\$1,978,120	3.076%	\$5,182	08/28/05	08/28/06	1.074
Fed Home Loan Mgt Corp	11/30/04	\$2,000,000	2.18%	\$1,977,340	3.070%	\$5,201	08/30/05	08/30/06	1.074
Fed Home Loan Bank	03/08/05	\$1,999,266	2.18%	\$1,985,620	3.470%	\$5,201	09/08/05	09/08/06	1.104
Fed Home Loan Bank	12/15/04	\$2,000,000	2.18%	\$1,980,000	3.250%	\$5,903 \$5,417	09/06/05	09/06/06	1.123
Fed Home Loan Bank	03/15/05	\$1,000,000	1.09%	\$992,810	3.500%	\$2,948	08/15/05	09/15/06	1.123
Fed Home Loan Bank	03/29/04	\$2,000,000	2.18%	\$1,949,380	2.650%	\$4,465	12/29/06	12/29/06	1.123
Fed Home Loan Bank	03/18/04	\$2,000,000	2.18%	\$1,957,500	3.030%	\$5.105	09/18/05	06/18/07	1.879
Fed Home Loan Bank	03/29/04	\$2,000,000	2.18%	\$1,935,620	3.300%	\$5,560		12/28/07	2.408
Fed Home Loan Mgt Corp	03/12/03	\$2,000,000	2.18%	\$1,961,600	3.500%	\$5,897		03/12/08	2.406
Fed Home Loan Bank	03/26/03	\$2,000,000	2.18%	\$1,953,120	3.375%	\$5,686	anytime	03/12/08	2.652
Fed Home Loan Mgt Corp	04/16/03	\$2,000,000	2.18%	\$1,964,500	3.600%	\$6,098	10/16/05	03/26/08	2.710
Fed Home Loan Mgt Corp	04/16/03	\$2,000,000	2.18%	\$1,954,500 \$1,958,980	3.625%	\$6,096 \$6,354		04/16/08	2.710
Fed Farm Credit Bank	06/03/03	\$2,000,000	2.18%	\$1,941,260	3.210%	\$5,438	12/03/05	06/03/08	2.712
Fed Farm Credit Bank	06/03/03	\$2,000,000	2.18%	\$1,926,880	2.950%		10/30/05	06/03/08	2.866
			2.18%		3.000%			06/12/08	2.866
Fed Home Loan Bank	07/30/03 07/30/03	\$2,000,000		\$1,925,620	3.000%	\$5,133		07/30/08	2.997
Fed Home Loan Bank		\$2,000,000	2.18%	\$1,930,620		\$5,595			
Fed Home Loan Bank	07/30/03	\$2,000,000	2.18%	\$1,946,260	3.400%	\$5,817		07/30/08	2.997
Fed Home Loan Bank	08/14/03	\$1,250,000	1.37%	\$1,226,175	3.690%	\$3,950		08/14/08	3.038
Fed Home Loan Bank	10/15/03	\$2,000,000	2.18%	\$1,974,380	4.000%	\$3,388	anytime	10/15/08	3.208
Fed Farm Credit Bank	03/16/04	\$2,000,000	2.18%	\$1,919,380	3.650%	\$6,149	anytime	03/16/09	3.625
Fed Home Loan Bank	03/26/04	\$2,000,000	2.18%	\$1,969,380	4.000%	\$6,739	08/26/05	03/26/09	3.652
Fed Home Loan Bank	04/06/04	\$2,000,000	2.18%	\$1,947,500	3.625%	\$6,141	anytime	04/06/09	3.682
Fed Home Loan Bank	04/07/04	\$2,000,000	2.18%	\$1,945,620	3.600%	\$6,098	10/07/05	04/07/09	3.685
Fed National Mortgage	04/16/04	\$2,000,000	2.18%	\$1,955,620	3.750%	\$6,352		04/16/09	3.710
Fed Home Loan Bank	04/29/04	\$2,000,000	2.18%	\$1,953,760	3.750%	\$6,352	10/29/05	04/29/09	3.745
Redeemed in FY 05/06		AFA 040 0: -	04 400/	AFF 000 0	0.0040/	A4E46:-			
Sub Total/Average		\$56,246,015	61.43%	\$55,099,085	3.204%	\$154,216			2.332
Money Market		\$32,020	0.03%	\$32,020	3.000%	\$1,260			0.003
TOTAL/AVERAGE		\$91,564,218	100.00%	\$90,342,313	3.501%	\$250,807			1.474

^{*}Per State Treasurer Report dated 7/31/2005, LAIF had invested approximately 13% of its balance in Treasury Bills and Notes, 23% in CDs, 13% in Commercial Paper and Corporate Bonds, 0% in Banker's Acceptances and 51% in others.



YEAR OF	ВООК	MARKET	AVERAGE	% OF
MATURITY	VALUE	VALUE	RATE	TOTAL
2004 LAIF	\$33,286,183	\$33,211,208	3.830%	36.35%
2004 OTHER	\$32,020	\$32,020	3.000%	0.03%
2005	\$4,000,000	\$3,992,500	3.037%	4.37%
2006	\$16,999,266	\$16,812,810	3.003%	18.57%
2007	\$4,000,000	\$3,893,120	3.165%	4.37%
2008	\$21,246,749	\$20,709,395	3.408%	23.20%
2009	\$12,000,000	\$11,691,260	3.729%	13.11%
TOTAL	\$91,564,218	\$90,342,313	3.501%	100.00%



FUND REVENUE	ADOPTED	AMENDED	CURRENT YTD	%	PRIOR	INCR (DECR) FROM PRIOR	%
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	CHANGE
010 GENERAL FUND							
TAXES							
Property Taxes - Secured/Unsecured/Prio	4,356,790	4,356,790	18,707	0%		18,707	n/a
Supplemental Roll	176,280	176,280	7,781	4%		7,781	n/a
Sales Tax	5,460,000	5,460,000	271,100	5%	307,500	(36,400)	-12%
Public Safety Sales Tax	264,600	264,600		n/a		-	n/a
Transient Occupancy Taxes	974,560	974,560		n/a		-	n/a
Franchise (Refuse ,Cable ,PG&E) Property Transfer Tax	1,030,700 378,525	1,030,700 378,525	_	n/a n/a	_	-	n/a n/a
TOTAL TAXES	12,641,455	12,641,455	297,588	2%	307,500	(9,912)	-3%
LICENSES/PERMITS							
Business License	159,650	159,650	118,842	74%	178,846	(60,004)	-34%
Other Permits	2,030	2,030	362	18%	54	308	570%
TOTAL LICENSES/PERMITS	161,680	161,680	119,204	74%	178,900	(59,696)	-33%
FINES AND PENALTIES							
Parking Enforcement	10,000	10,000	2,507	25%		2,507	n/a
City Code Enforcement	53,500	53,500	26,530	50%		26,530	n/a
Business tax late fee/other fines	1,200	1,200	· -	n/a	5	(5)	-100%
TOTAL FINES AND PENALTIES	64,700	64,700	29,037	45%	5	29,032	580640%
OTHER AGENCIES							
Motor Vehicle in-Lieu	188,776	188,776	592,115	314%	166,046	426,069	257%
Other Revenue - Other Agencies	246,400	246,400	3,042	<u>1</u> %		3,042	n/a
TOTAL OTHER AGENCIES	435,176	435,176	595,157	137%	166,046	429,111	258%
CHARGES CURRENT SERVICES				,			,
False Alarm Charge	25,000	25,000	0.007	n/a	4.000	-	n/a
Business License Application Review	23,000	23,000	2,307	10%	1,880	427	23%
Recreation Revenue	282,400	282,400	10,074	4%	38,675	(28,601)	-74%
Aquatics Revenue	1,265,400	1,265,400	256,926	20%	384,318	(207)	00/
General Administration Overhead	1,791,375	1,791,375	149,281	8% 37%	149,488	(207)	0% 26/1%
Other Charges Current Services TOTAL CURRENT SERVICES	503,650 3,890,825	503,650 3,890,825	188,022 606,610	<u>37</u> % 16%	6,860 581,221	181,162 152,781	2641% 26%
TOTAL CURRENT SERVICES	3,090,023	3,090,023	000,010	1076	361,221	132,761	20%
OTHER REVENUE						(
Use of money/property	438,750	438,750	1,362	0%	61,480	(60,118)	-98%
Recreation Rentals	484,250	484,250	78,277	16%	4 400	0.000	700/
Other Revenues TOTAL OTHER REVENUE	163,600 1,086,600	163,600 1,086,600	7,698 87,337	<u>5</u> % 8%	4,468 65,948	3,230 21,389	<u>72</u> % 32%
	1,000,000	1,000,000	01,001	0 /0	00,040	21,000	32 /3
TRANSFERS IN	125 000	125 000		n/a			n/a
Park Maintenance	125,000	125,000	2 422	n/a	1 667	1 760	n/a 1069/
Sewer Enterprise Water Enterprise	41,200 20,000	41,200 20,000	3,433 1,667	8% 8%	1,667 1,667	1,766	106% n/a
Public Safety	175,000	175,000	14,583	8%	14,583	-	n/a
Community Rec Center	85,665	85,665	14,503	n/a	14,503	- -	n/a
HCD Block Grant	5,000	5,000	417	8%		417	n/a
Other Funds	-	-		<u>n/a</u>	5,258	(5,258)	-100%
TOTAL TRANSFERS IN	451,865	451,865	20,100	4%	23,175	(3,075)	-13%
TOTAL GENERAL FUND	18,732,301	18,732,301	1,755,033	9%	1,322,795	432,238	33%



	8% of Year Con	ipieteu					
FUND			CURRENT			INCR (DECR)	
REVENUE	ADOPTED	AMENDED	YTD	%	PRIOR	FROM PRIOR	%
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	CHANG
SPECIAL REVENUE FUNDS							
202 STREET MAINTENANCE							
Gas Tax 2105 - 2107.5	699,600	699,600		n/a		-	n/a
CIP Grants	3,325,000	3,325,000		n/a		-	n/a
Reimbursement of Expenses	26,000	26,000		n/a		-	n/a
Transfers In	700,000	700,000	50,000	7%	50,000	-	n/a
Project Reimbursement		-		n/a		-	n/a
Interest / Other Revenue/Other Charges	41,000	41,000	338	<u>1%</u>	778	(440)	<u>-57%</u>
202 STREET MAINTENANCE	4,791,600	4,791,600	50,338	1%	50,778	(440)	-1%
204/205 PUBLIC SAFETY TRUST							
Interest Income	8,885	8,885		n/a		-	n/a
Police Grant/SLEF	100,000	100,000	-	n/a		-	n/a
204/205 PUBLIC SAFETY TRUST	108,885	108,885	-	n/a	-	-	n/a
206 COMMUNITY DEVELOPMENT							
Building Fees	1,483,000	1,483,000	170.983	12%	201,446	(30.463)	-15%
Planning Fees	616,800	616,800	15,858	3%	40,352	(24,494)	-61%
Engineering Fees	875,000	875,000	68,112	8%	167,056	(98,944)	-59%
Other Revenue/Current Charges	48,620	48,620	,	n/a	56	(56)	-100%
Transfers	-	-	100	n/a		100	n/a
206 COMMUNITY DEVELOPMENT	3,023,420	3,023,420	255,053	8%	408,910	(153,857)	-38%
207 GENERAL PLAN UPDATE	145,286	145,286	12,322	8%	11,632	690	6%
215 and 216 HCD BLOCK GRANT							
HCD allocation	396,714	396,714		n/a		-	n/a
CIP Grants	100,000	100,000		n/a			n/a
Interest Income/Other Revenue	1,460	1,460	26	<u>2%</u>	-	26	<u>n/a</u>
15 and 216 HCD BLOCK GRANT	498,174	498,174	26	0%	-	26	n/a
10 COMMUNITY CENTER	3,500	3,500		n/a	4,167	(4,167)	-100%
25 ASSET SEIZURE	1,664	1,664		n/a		-	n/a
29 LIGHTING AND LANDSCAPE	138,000	138,000		n/a		-	n/a
32 ENVIRONMENTAL PROGRAMS	533,050	533,050	754	0%	14,447	(13,693)	-95%
34 MOBILE HOME PARK RENT STAB.	9,873	9,873		n/a	•	-	n/a
35 SENIOR HOUSING	6,890	6,890		n/a		-	n/a
236 HOUSING MITIGATION	140,000	140,000	15,000	11%		15,000	n/a
240 EMPLOYEE ASSISTANCE	42,768	42,768	2,162	5%	3,446	(1,284)	-37%
247 ENVIRONMENT REMEDIATION	8,500	8,500	_,	n/a	-,	-	n/a
OTAL SPECIAL REVENUE FUNDS	9,451,610	9,451,610	335,655	4%	493,380	(157,725)	-32%



CITY OF MORGAN HILL	8% of Year Con	npleted						
FUND			INCR (DECR)					
REVENUE	CURRENT ADOPTED AMENDED YTD %			%	PRIOR FROM PRIOR %			
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	CHANG	
CAPITAL PROJECTS FUNDS								
301 PARK DEVELOPMENT	814,768	814,768	56,244	7%	21,748	34,496	159%	
302 PARK MAINTENANCE	415,557	415,557	8,180	2%	1,247	6,933	556%	
303 LOCAL DRAINAGE	1,276,297	1,276,297	33,649	3%	106,076	(72,427)	-68%	
304 LOCAL DRAINAGE/NON AB1600	356,795	356,795	19,000	5%		19,000	n/a	
306 OPEN SPACE	170,972	170,972	67,712	40%	22,600	45,112	200%	
309 TRAFFIC MITIGATION	1,128,092	1,128,092	452,435	40%	39,557	412,878	1044%	
311 POLICE MITIGATION	105,743	105,743	4,313	4%	1,326	2,987	225%	
313 FIRE MITIGATION	195,345	195,345	6,209	3%	3,122	3,087	99%	
17 RDA CAPITAL PROJECTS								
Property Taxes & Supplemental Roll	15,169,461	15,169,461	121,458	1%		121,458	n/a	
Loan Proceeds	4,500,000	4,500,000		n/a		-	n/a	
Interest Income, Rents	297,947	297,947	1,096	0%	969	127	13%	
Other Agencies/Current Charges/Transfer			385	<u>n/a</u>	124	261	<u>210%</u>	
317 RDA CAPITAL PROJECTS	19,967,408	19,967,408	122,939	1%	1,093	121,846	11148%	
27/328 RDA L/M HOUSING								
Property Taxes & Supplemental Roll	4,402,175	4,402,175	30,365	1%	19,455	10,910	56%	
Interest Income, Rent	10,450	10,450	2,325	22%	84	2,241	2668%	
<u>Other</u>	-	-	940		10	930	9300%	
327/328 RDA L/M HOUSING	4,412,625	4,412,625	33,630	1%	19,549	14,081	72%	
346 PUBLIC FACILITIES NON-AB1600	228,008	228,008	76,000	33%		76,000	n/a	
347 PUBLIC FACILITIES	77,720	77,720	8,809	11%	2,222	6,587	296%	
348 LIBRARY	123,155	123,155	3,285	3%	1,410	1,875	133%	
350 UNDERGROUNDING	189,883	189,883		n/a	48	(48)	-100%	
340/342 MH BUS.RANCH CIP I & II	3,145	3,145		n/a		-	n/a	
360 COMMUNITY/REC IMPACT FUND	80,719	80,719	5,042	6%	2,256	2,786	123%	
TOTAL CAPITAL PROJECTS FUNDS	29,546,232	29,546,232	897,447	3%	222,254	675,193	304%	
DEBT SERVICE FUNDS								
	400 ====	400 ====		o=0/		004.45-		
141 POLICE FACILITY BOND	483,763	483,763	324,185	67%		324,185	n/a	
36 ENCINO HILLS	-	-		n/a		-	n/a	
39 MORGAN HILL BUSINESS PARK	-	-		n/a		-	n/a	
42 SUTTER BUSINESS PARK				n/a		-	n/a	
545 COCHRANE BUSINESS PARK	206,304	206,304		n/a		-	n/a	
551 JOLEEN WAY	37,016	37,016		n/a		-	n/a	
OTAL DEBT SERVICE FUNDS	727,083	727,083	324,185	45%	-	324,185	n/a	



FUND	ADOPTED	AMENDED	CURRENT	0/	DDICD	INCR (DECR)	0/
REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	YTD ACTUAL	% OF BUDGET	PRIOR YTD	FROM PRIOR YTD	% CHANGE
NTERPRISE FUNDS	DODGET	DODGET	ACTUAL	JI BODGET	טוו	110	CHANGE
INTERFRIGE FUNDS							
640 SEWER OPERATION							
Sewer Service Fees	5,600,535	5,600,535	459,337	8%	446,968	12,369	3%
Interest Income	191,414	191,414		n/a		-	n/a
Other Revenue/Current Charges	142,600	142,600	6,784	<u>5</u> %	7,605	(821)	- <u>11</u> %
640 SEWER OPERATION	5,934,549	5,934,549	466,121	8%	454,573	11,548	3%
641 SEWER EXPANSION							
Interest Income	345,048	345,048		n/a		-	n/a
Connection Fees	1,560,000	1,560,000	276,701	18%	59,001	217,700	369%
<u>Other</u>			66	n/a	66		n/a
641 SEWER EXPANSION	1,905,048	1,905,048	276,767	15%	59,067	217,700	369%
642 SEWER RATE STABILIZATION	119,167	119,167		n/a		-	n/a
643 SEWER-CAPITAL PROJECT	294,560	294,560		n/a		-	n/a
TOTAL SEWER FUNDS	8,253,324	8,253,324	742,888	9%	513,640	229,248	45%
550 WATER OPERATION							
Water Sales	6,229,900	6,229,900	728,187	12%	672,220	55,967	8%
Meter Install & Service	70,000	70,000	6,517	9%	19,722	(13,205)	-67%
Transfers-In, and Interest Income	472,202	472,202	19,207	4%	1,272	17,935	1410%
Other Revenue/Current Charges	879,500	879,500	95,400	11%	54,680	40,720	74%
550 WATER OPERATION	7,651,602	7,651,602	849,311	11%	747,894	101,417	14%
651 WATER EXPANSION	207.070	207.070		(-/-
Interest Income/Other Revenue/Transfer	207,076	207,076	00.070	n/a	10 110	-	n/a
Water Connection Fees	362,000	362,000	22,679	<u>6</u> %	16,449	6,230	<u>38</u> %
551 WATER EXPANSION	569,076	569,076	22,679	4%	16,449	6,230	38%
652 Water Rate Stabilization	702,000	702,000	5,833	1%		5,833	n/a
653 Water Capital Project	297,217	297,217		n/a		-	n/a
TOTAL WATER FUNDS	9,219,895	9,219,895	877,823	10%	764,343	113,480	15%
TOTAL ENTERPRISE FUNDS	17,473,219	17,473,219	1,620,711	9%	1,277,983	342,728	27%
NTERNAL SERVICE FUNDS							
	054.000	051000	04.400	00/	40.040	4.00=	400/
730 INFORMATION SERVICES	254,202	254,202	21,183	8%	19,246	1,937	10%
740 BUILDING MAINTENANCE SERVICES	1,666,477	1,666,477	138,873	8%	137,717	1,156	1%
745 CIP ADMINISTRATION	1,415,000	1,415,000	77,893	6%	67,807	10,086	15%
760 UNEMPLOYMENT INSURANCE	58,305	58,305		n/a	00.000	- (00.000)	n/a 400%
770 WORKERS COMPENSATION	920,509	920,509 538,545	25.075	n/a	80,030	(80,030)	-100%
790 EQUIPMENT REPLACEMENT	538,545	538,545	35,275	7%	25,421	9,854	39%
793 CORPORATION YARD COMMISSION	14,350	14,350	62 027	n/a 129/	25.642	20 205	n/a 70%
795 GENERAL LIABILITY INSURANCE	506,470	506,470	63,937	13%	35,642	28,295	79%
TOTAL INTERNAL SERVICE FUNDS	5,373,858	5,373,858	337,161	6%	365,863	(28,702)	-8%



EUND			CURRENT			INCR (DECR)	
FUND			CURRENT				
REVENUE	ADOPTED	AMENDED	YTD	%	PRIOR	FROM PRIOR	%
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	CHANGE
AGENCY FUNDS							
841 M.H. BUS.RANCH A.D. I	-	-		n/a		-	n/a
842 M.H. BUS.RANCH A.D. II	-	-		n/a		-	n/a
843 M.H. BUS.RANCH 1998	898,976	898,976		n/a		-	n/a
844 M.H. RANCH REFUNDING 2004A	612,433	612,433		n/a	299,862	(299,862)	-100%
845 MADRONE BP-TAX EXEMPT	462,228	462,228		n/a		-	n/a
846 MADRONE BP-TAXABLE	91,543	91,543		n/a		-	n/a
848 TENNANT AVE.BUS.PK A.D.	12,909	12,909		n/a		-	n/a
881 POLICE DONATION TRUST FUND	642	642		n/a		-	n/a
TOTAL AGENCY FUNDS	2,078,731	2,078,731	-	n/a	299,862	(299,862)	-100%
TOTAL FOR ALL FUNDS	83,383,034	83,383,034	5,270,192	6%	3,982,137	1,787,722	45%



TOTAL COMMUNITY IMPROVEMENT

THIS

City of Morgan Hill Year to Date Expenses - Fiscal Year 2005/06 For the Month of July 2005 8% of Year Completed

FUND PERCENT OF MONTH NO. **FUND/ACTIVITY ACTUAL** ADOPTED **AMENDED** YTD **OUTSTANDING TOTAL TOTAL TO BUDGET BUDGET EXPENSES BUDGET EXPENSES ENCUMBRANCE ALLOCATED** 010 GENERAL FUND I. GENERAL GOVERNMENT COUNCIL AND MISCELLANEOUS GOVT. 15,769 9% City Council 207,067 207,067 15,769 3,602 19.371 Community Promotions 1,133 41,022 41,022 1,133 1,133 3% **COUNCIL AND MISCELLANEOUS GO** 248,089 248,089 3,602 16,902 16,902 20,504 8% **CITY ATTORNEY** 209,132 15,680 566,690 566,690 15,680 193,452 37% **CITY MANAGER** 30,011 330,948 330,948 30,011 30,011 9% City Manager Cable Television 868 37,611 37,611 868 868 2% 2,241 Communications & Marketing 146,792 146,792 2,241 2.241 2% **CITY MANAGER** 33.120 515.351 515.351 33,120 6% 33.120 RECREATION 311,071 15,266 311.071 15,266 15.266 5% Recreation Community & Cultural Center 89,143 1,280,015 1,280,015 89,143 116,948 206,091 16% 212,271 1,403,838 1,403,838 212,271 4,000 216,271 **Aquatics Center** 15% Indoor Recreation Center 85,665 78 85,665 78 78 0% RECREATION 316,758 3,080,589 3,080,589 316,758 120,948 437,706 14% **HUMAN RESOURCES** 33,553 33,553 **Human Resources** 488,604 488,604 33,553 7% **HUMAN RESOURCES** 33,553 488,604 488,604 33,553 33,553 7% **CITY CLERK** City Clerk 17,169 258,591 258,591 17,169 17,169 7% Elections 3,348 47,788 47,788 3,348 3,348 <u>7</u>% CITY CLERK 20,517 306,379 306,379 20,517 20,517 7% **FINANCE** 65,464 982,085 982,085 65,464 65,464 7% 13% **TOTAL GENERAL GOVERNMENT** 501,994 6,187,787 6,187,787 501,994 318,002 819,996 II. PUBLIC SAFETY POLICE PD Administration 204,147 812,406 812,406 204,147 204,147 25% Patrol 350,129 4.186.166 4.186.166 350,129 736 350,865 8% Support Services 60,653 1,040,162 1,040,162 60,653 60,653 6% Emergency Services/Haz Mat 402 49,494 49,494 402 4,013 4,415 9% 1,486,523 108.265 108.265 Special Operations 108 265 1,486,523 7% **Animal Control** 5,662 100,734 100,734 5,662 5,662 6% **Dispatch Services** 65,216 1,082,581 1,082,581 65,216 400 65,616 6% **POLICE** 794,474 8,758,066 8,758,066 794,474 5,149 799,623 9% 349,541 FIRE 4,377,495 4,377,495 349,541 349,541 8% **TOTAL PUBLIC SAFETY** 1,144,015 5,149 13,135,561 13,135,561 1,144,015 1,149,164 9% III. COMMUNITY IMPROVEMENT **PARK MAINTENANCE** 35,456 698,893 698,893 35,456 12,591 48,047 7%

698,893

35,456

12,591

48,047

7%

698,893

35,456



	CITY OF MORGAN HILL		8% of Year C	ompleted				
FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT O TOTAL TO BUDGET
IV. TRA	NSFERS							
11. 11.	INOI ENO							
	General Plan Update	834	10,000	10,000	834	-	834	8%
TO	OTAL TRANSFERS	834	10,000	10,000	834	-	834	8%
TOTAL (GENERAL FUND	1,682,299	20,032,241	20,032,241	1,682,299	335,742	2,018,041	10%
SPECIAI	L REVENUE FUNDS							
202 STR	EET MAINTENANCE Street Maintenance/Traffic	71,391	1,855,834	1,859,834	71,391	53,300	124,691	7%
	Congestion Management	4,177	84,994	84,994	4,177	55,500	4,177	7 % 5%
	Street CIP	24,677	3,427,989	3,427,989	24,677	83,595	108,272	3%
202 STR	EET MAINTENANCE	100,245	5,368,817	5,372,817	100,245	136,895	237,140	4%
					•	100,000		
204/205	PUBLIC SAFETY/SUPP.LAW	14,627	175,519	175,519	14,627		14,627	8%
206 COI	MMUNITY DEVELOPMENT FUND							
	Planning	70,333	1,219,194	1,219,194	70,333	84,060	154,393	13%
	Building	61,218	1,129,216	1,129,216	61,218	76,107	137,325	12%
	PW-Engineering	57,262	1,145,151	1,145,151	57,262	43,221	100,483	<u>9</u> %
:06 COI	MMUNITY DEVELOPMENT FUND	188,813	3,493,561	3,493,561	188,813	203,388	392,201	11%
207	GENERAL PLAN UPDATE	2,505	154,553	154,553	2,505	87,652	90,157	58%
210	COMMUNITY CENTER		85,665	85,665			-	n/a
215/216		1,288	506,714	506,714	1,288	124,324	125,612	25%
225	ASSET SEIZURE		-	-		2,492	2,492	n/a
229	LIGHTING AND LANDSCAPE	5,121	118,248	118,248	5,121	17,855	22,976	19%
232	ENVIRONMENT PROGRAMS	10,414	402,505	402,505	10,414	44,550	54,964	14%
234 235	MOBILE HOME PARK SENIOR HOUSING TRUST FUND	124	4,832 80,700	4,832 80,700	124		124	3% n/a
235 236	HOUSING MITIGATION FUND	,	1,315,000	1,315,000				n/a
240	EMPLOYEE ASSISTANCE		57,500	57,500		_	_	n/a
247	ENVIRONMENT REMEDIATION	FUND	152,500	152,500		-	-	n/a
TOTAL S	SPECIAL REVENUE FUNDS	323,137	11,916,114	11,920,114	323,137	617,156	940,293	8%
CAPITAL	L PROJECT FUNDS							
301	PARK DEVELOPMENT	2,956	2,388,940	2,388,940	2,956	115,196	118,152	5%
802	PARK MAINTENANCE	833	185,000	185,000	833	312	1,145	1%
303	LOCAL DRAINAGE	128	1,901,534	1,901,534	128		128	0%
304	LOCAL DRAIN. NON-AB1600	6,373	1,141,667	1,141,667	6,373	-	6,373	1%
306	OPEN SPACE		4.6					
809	TRAFFIC MITIGATION	5,528	1,137,000	1,137,000	5,528	750,866	756,394	67%
811 813	POLICE MITIGATION FIRE MITIGATION	171,664	250,887 526 378	250,887 526,378	171,664	10,000	181,664	72% 0%
813 817	RDA BUSINESS ASSISTANCE	115 124,370	526,378 28,279,211	28,279,211	115 124,370	6,017,949	115 6,142,319	0% 22%
327/328	RDA HOUSING	63,287	10,191,842	10,191,842	63,287	17,906	81,193	1%
340/342		30,201	, ,	, ,	00,201	,500	-	n/a
346	PUBLIC FAC.NON AB1600		90,000	90,000		432,083	432,083	480%
347	PUBLIC FACILITIES	114	1,363	1,363	114	- ,	114	8%
348	LIBRARY IMPACT	17	202	202	17		17	8%
350	UNDERGROUNDING	32	1,200,389	1,200,389	32	82,945	82,977	7%
360	COMM/REC CTR IMPACT		180,000	180,000			-	n/a
TOTAL (CAPITAL PROJECTS FUNDS	375,417	47,474,413	47,474,413	375,417	7,427,257	7,802,674	16%



	CITI OF MORGAN TILL		8% of Year Co	ompieted				
FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
DEBT SI	ERVICE FUNDS							
441	POLICE FACILITY BOND DEBT	328,155	483,763	483,763	328,155	-	328,155	68%
545	COCHRANE BUS. PARK A.D.	751	194,625	194,625	751	-	751	0%
551	JOLEEN WAY A.D.	721	36,487	36,487	721	-	721	2%
TOTAL I	DEBT SERVICE FUNDS	329,627	714,875	714,875	329,627	-	329,627	46%
ENTERP	PRISE FUNDS							
OFWED								
SEWER 640	SEWED OBEDATION	1 421 705	6 706 507	6 706 E07	1 424 705	57,471	1 490 176	22%
641	SEWER OPERATION	1,431,705 130,271	6,786,507	6,786,507	1,431,705 130,271	606,513	1,489,176	22% 26%
642	CAPITAL EXPANSION SEWER RATE STABILIZATION	130,271	2,796,988 2,114	2,796,988 2,114	176	000,513	736,784 176	26% 8%
643	SEWER RATE STABILIZATION SEWER-CAPITAL PROJECTS	5,700	352,535	352,535	5,700	539,807	545,507	155%
	SEWER FUND(S)	1,567,852	9,938,144	9,938,144	1,567,852	1,203,791	2,771,643	28%
TOTAL	DEWERT GRD(O)	1,301,032	3,330,144	3,330,144	1,307,032	1,203,731	2,771,043	2070
WATER		407 444	7.454.000	7.454.000	407.444	202.222	504.047	70/
	Water Operations Division	167,411	7,151,323	7,151,323	167,411	366,806	534,217	7%
	Meter Reading/Repair	31,858	761,846	761,846	31,858	19,611	51,469	7% 8%
	Utility Billing Water Conservation	36,239 3,874	460,975 124,708	460,975 124,708	36,239 3,874	_	36,239 3,874	3%
CEO	WATER OPERATIONS					206 447	625,799	_
650 651		239,382	8,498,852	8,498,852	239,382	386,417		7%
652	CAPITAL EXPANSION WATER RATE STABILIZATION	8,015 41	1,786,014 492	1,786,014 492	8,015 41	582,791	590,806 41	33% 8%
653	WATER RATE STABILIZATION WATER-CAPITAL PROJECTS	27,570	886,260	886,260	27,570	1,418,385	1,445,955	163%
TOTAL \	WATER FUND(S)	275,008	11,171,618	11,171,618	275,008	2,387,593	2,662,601	24%
TOTAL E	ENTERPRISE FUNDS	1,842,860	21,109,762	21,109,762	1,842,860	3,591,384	5,434,244	26%
INTERN	AL SERVICE FUNDS							
730	INFORMATION SERVICES	2,688	254,203	254,203	2,688	91,262	93,950	37%
740	BUILDING MAINTENANCE	39,606	1,366,261	1,366,261	39,606	16,740	56,346	4%
745	CIP ENGINEERING	77,893	1,379,348	1,379,348	77,893	18,826	96,719	7%
760	UNEMPLOYMENT		55,000	55,000	•			n/a
770	WORKERS COMPENSATION	138,737	770,075	770,075	138,737	-	138,737	18%
790	EQUIPMENT REPLACEMENT	214	469,827	469,827	214		214	0%
793	CORP YARD COMMISSION	3,193		-	3,193	6,951	10,144	n/a
795	GEN. LIABILITY INSURANCE	292,053	480,800	480,800	292,053	-	292,053	61%
TOTAL I	NTERNAL SERVICE FUNDS	554,384	4,775,514	4,775,514	554,384	133,779	688,163	14%
AGENCY	Y FUNDS							
0.44	MODOAN IIII I BUO BANGU							
841	MORGAN HILL BUS RANCH I		-	-		-	-	n/a
842 843	MORGAN HILL BUS RANCH II MORGAN HILL BUS RANCH 98	0.40	967.265	967.265	0.49	-	049	n/a 0%
844	MH RANCH RSMNT 2004A	948 1,181	867,265 595,583	867,265 595,583	948 1,181	=	948 1,181	0% 0%
845	MADRONE BP-TAX EXEMPT	1,171	443,763	443,763	1,171	-	1,171	0% 0%
846	MADRONE BP-TAXABLE	660	86,939	86,939	660	-	660	1%
848	TENNANT AVE BUS PARK AD	560	6,727	6,727	560	-	560	8%
881	POLICE DONATION TRUST	550	-	-	550	-	-	n/a
TOTAL	AGENCY FUNDS	4,520	2,000,277	2,000,277	4,520		4,520	0%
TOTAL	AGENOT FUNDO	·	2,000,211	2,000,211	, i		4,320	
REPOR1	T TOTAL	5,112,244	108,023,196	108,027,196	5,112,244	12,105,318	17,217,562	16%



City of Morgan Hill Enterprise Funds Report - Fiscal Year 2005/06 For the Month of July 2005 8% of Year Completed

YTD INCOME STATEMENT FOR CURRENT AND PRIOR YEAR

		Sewer Ope	rations		Water Operations			
			% of	Prior			% of	Prior
	Budget	YTD	Budget	YTD	Budget	YTD	Budget	YTD
Operations								
Revenues								
Service Charges Meter Install & Service	\$ 5,600,535	\$ 459,337	8%	\$ 446,968	\$ 6,229,900 70,000	\$ 728,187 6,517	12% 9%	\$ 672,220 19,722
Other	142,600	6,784	5%	7,605	(1,165,146)	113,335	-10%	55,952
Total Operating Revenues	5,743,135	466,121	8%	454,573	5,134,754	848,039	17%	747,894
Expenses								
Operations Meter Reading/Repair	4,682,409	153,899	3%	107,452	4,750,307 637,156	(217,589) 31,858	-5% 5%	(417,850) 49,359
Utility Billing/Water Conservation					399,783	40,113	10%	25,593
Total Operating Expenses	4,682,409	153,899	3%	107,452	5,787,246	(145,618)	-3%	(342,898)
Operating Income (Loss)	1,060,726	312,222		347,121	(652,492)	993,657		1,090,792
Nonoperating revenue (expense)								
Interest Income Interest Expense/Debt Services Principal Expense/Debt Services	191,414 (573,410) (975,000)	, , ,	49% 102%	(, ,	, , ,		8%	
Total Nonoperating revenue (expense)	(1,356,996)	(1,277,806)		(1,264,490)	(536,697)	1,272		-
Income before operating xfers	(296,270)	(965,584)		(917,369)	(1,189,189)	994,929		1,090,792
Operating transfers in Operating transfers (out)	(220,000)	-		- (18,333)	2,500,000 (420,000)	(385,000)	92%	(573,090)
Net Income (Loss)	\$ (516,270)	\$ (965,584)		\$ (935,702)	, ,	\$ 609,929	5_70	\$ 517,702



City of Morgan Hill Balance Sheets - Water and Sewer Funds For the Month of July 2005 8% of Year Completed

	Sewer Operations (640)	Sewer Expansion Stabilization Capital Projects (641-643)	Water Operations (650)	Water Expansion Stabilization Capital Projects (651-653)
ASSETS				
Cash and investments:				
Unrestricted	1,509,153	6,495,189	3,614,463	3,475,677
Restricted ¹	1,894,501	6,991,690	414,806	4,037,661
Accounts Receivable		8,671		588
Utility Receivables	688,297		1,616,547	
Less Allowance for Doubtful Accounts	0		(19,501)	
Notes Receivable ² Fixed Assets ³	04 404 040	9,371	0	40.040.540
Fixed Assets	31,101,346	11,110,295	24,500,750	12,213,512
Total Assets	35,193,297	24,615,217	30,127,065	19,727,437
LIABILITIES				
Accounts Payable and Accrued Liabilities Deposits for Water Services & Other Deposits Deferred Revenue 4	337,830	110,863	528,137 24,075	1,869,869
Bonds Payable	24,275,000		5,830,437	
Discount on Bonds and Other Liabilities	(2,565,506)		(978,154)	
Accrued Vacation and Comp Time	53,325		91,552	
Total liabilities	22,100,649	110,863	5,496,047	1,869,869
FUND EQUITY				
Contributed Capital Retained Earnings	7,735,831		14,356,292	
Reserved for:				
Noncurrent water/sewer assets & debt	9,338,527	11,110,295	19,556,915	12,213,512
Encumbrances	57,471	1,146,320	386,417	2,001,176
Notes Receivable	1 004 504	9,371	44.4.000	4 007 004
Restricted Cash	1,894,501		414,806	4,037,661
Total Reserved Retained Earnings	11,290,499	12,265,986	20,358,138	18,252,349
Unreserved Retained Earnings	1,802,149	12,238,368	4,272,880	(394,780)
Total Fund Equity	13,092,648	24,504,354	24,631,018	17,857,568
Total Liabilities and Fund Equity	35,193,297	24,615,217	30,127,065	19,727,437

¹ Restricted for Bond Reserve requirements and capital expansion.

 $^{^{\}rm 2}$ Includes Note for Sewer Financing Agreements.

³ Includes Water and Sewer infrastructure and the City's share of the Wastewater treatment plant.

⁴ Includes the deferred payment portion of the loans noted above.



City of Morgan Hill Balance Sheets for Major Funds - Fiscal Year 2005/06 For the Month of July 2005 8% of Year Completed

Sewer

Water

General Fund RDA L/M Housing

	General Fund	KDA (Fund 217)	L/M Housing (Fund 327/328)	(Fund 640)	(Fund 650)
ASSETS	(Fund 010)	(Fund 317)	(Fund 327/326)	(Fulia 640)	(Fund 650)
AGGETG					
Cash and investments:					
Unrestricted	9,157,498	11,069,146	6,869,548	1,509,153	3,614,463
Restricted ¹	6,312			1,894,501	414,806
Accounts Receivable	795,052	24,541			
Utility Receivables (Sewer and Water)				688,297	1,616,547
Less Allowance for Doubtful Accounts					(19,501)
Loans and Notes Receivable 2	422,518	3,592,525	31,671,047		
Prepaid Expense	1,378				
Fixed Assets ³		71,049		31,101,346	24,500,750
Total Assets	10,382,758	14,757,261	38,540,595	35,193,297	30,127,065
LIABILITIES					
LIABILITIES					
Accounts Payable and Accrued Liabilities	456,736	741,556	23,816	337,830	528,137
Deposits for Water Services & Other Deposits	18,523				24,075
Deferred Revenue 4	469,410	3,629,397	31,932,199		
Bonds Payable				24,275,000	5,830,437
Discount on Bonds and Other Liabilities				(2,565,506)	(978,154)
Accrued Vacation and Comp Time				53,325	91,552
Total liabilities	944,669	4,370,953	31,956,015	22,100,649	5,496,047
FUND EQUITY					
Contributed Capital				7,735,831	14,356,292
Fund Balance / Retained Earnings					
Reserved for:					
Noncurrent water/sewer assets & debt				9,338,527	19,556,915
Encumbrances	335,742	6,017,949	17,906	57,471	386,417
Restricted Cash				1,894,501	414,806
RDA properties held for resale		71,049			
Loans and Notes Receivable					
Total Reserved Fund Equity	335,742	6,088,998	17,906	11,290,499	20,358,138
Designated Fund Equity ⁵	4,109,213				
Unreserved/Undesignated Fund Equity	4,993,134	4,297,310	6,566,674	1,802,149	4,272,880
Total Fund Equity	9,438,089	10,386,308	6,584,580	13,092,648	24,631,018
Total Liabilities and Fund Equity	10,382,758	14,757,261	38,540,595	35,193,297	30,127,065

¹ Restricted for Petty Cash use, Bond Reserve requirements and sewer and water capital expansion.

² Includes Housing Rehab loans, Financing Agreements for Public Works Fees and loans for several housing and Agency projects.

³ Includes Water and Sewer infrastructure, the City's share of the Wastewater treatment plant and RDA properties held for resale.

 $^{^{\}rm 4}$ Includes the deferred payment portion of the loans noted above.

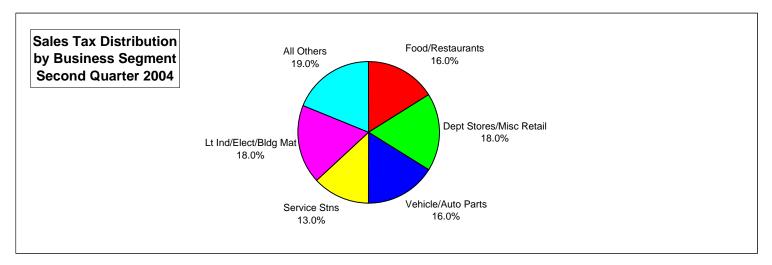
 $^{^{\}rm 5}$ Designated as a general reserve.

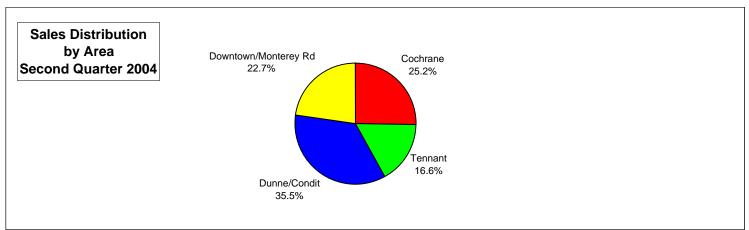


Percent of increase(decrease)

City of Morgan Hill Sales Tax Comparison - Fiscal Year 2005/06 For the Month of July 2005 8% of Year Completed

	Amount Collected for Month for Fiscal Year			Amount Colle	ected YTD for	Fiscal Year	Comparison of YTD for fiscal years		
Month	05/06	04/05	03/04	05/06	04/05	03/04	05/06 to 04/05	05/06 to 03/04	
	#074 000	0007.500	# 222.222	#074 000	# 007 F 00	Фооо ооо	(00.500)	(07.000)	
July	\$271,000	\$307,500	\$338,300	\$271,000	\$307,500	\$338,300	(36,500)	(67,300)	
August		\$401,200	\$451,000		\$708,700	\$789,300			
September		\$518,724	\$232,994		\$1,227,424	\$1,022,294			
October		\$223,145	\$316,100		\$1,450,569	\$1,338,394			
November		\$299,300	\$421,400		\$1,749,869	\$1,759,794			
December		\$442,460	\$331,624		\$2,192,329	\$2,091,418			
January		\$708,525	\$349,500		\$2,900,854	\$2,440,918			
February		\$297,415	\$428,600		\$3,198,269	\$2,869,518			
March		\$564,262	\$292,930		\$3,762,531	\$3,162,448			
April		\$214,162	\$340,500		\$3,976,693	\$3,502,948			
May		\$769,125	\$385,525		\$4,745,818	\$3,888,473			
June		\$561,606	\$261,782		\$5,307,424	\$4,150,255			
Year To Da	ate Totals			\$271,000	\$5,307,424	\$4,150,255			
Sales Tax I	Budget for Year			\$4,095,000	\$4,600,000	\$4,650,000			
Percent of	Budget			7%	115%	89%	-12%	-20%	







CITY COUNCIL STAFF REPORT MEETING DATE: August 24, 2005

JUNE 2005 FINAL FINANCE & INVESTMENT REPORT

Agenda Item #22
Prepared By:
Finance Director
Submitted By:
-
City Manager
v g

RECOMMENDED ACTION:

Accept and File Report

EXECUTIVE SUMMARY:

Attached is the final monthly *unaudited* Finance and Investment Report for the period ended June 30, 2005. The report covers the twelve months of activity for the 2004/2005 fiscal year. A summary of the report is included on the first page for the City Council's benefit.

The monthly Finance and Investment Report is presented to the City Council and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity in the City, including the Redevelopment Agency. The Redevelopment Agency receives a separate report for the fiscal activity of the Agency at the meeting of the Agency. Presenting this report is consistent with the goal of *Maintaining and Enhancing the Financial Viability of the City*.

FISCAL IMPACT: as presented

CITY OF MORGAN HILL Monthly Financial and Investment Reports

Final June 30, 2005 – 100% Year Complete



Prepared by:

FINANCE DEPARTMENT



FINAL UNAUDITED FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2002/03 FOR THE MONTH OF JUNE 2003 - 100% OF YEAR COMPLETE

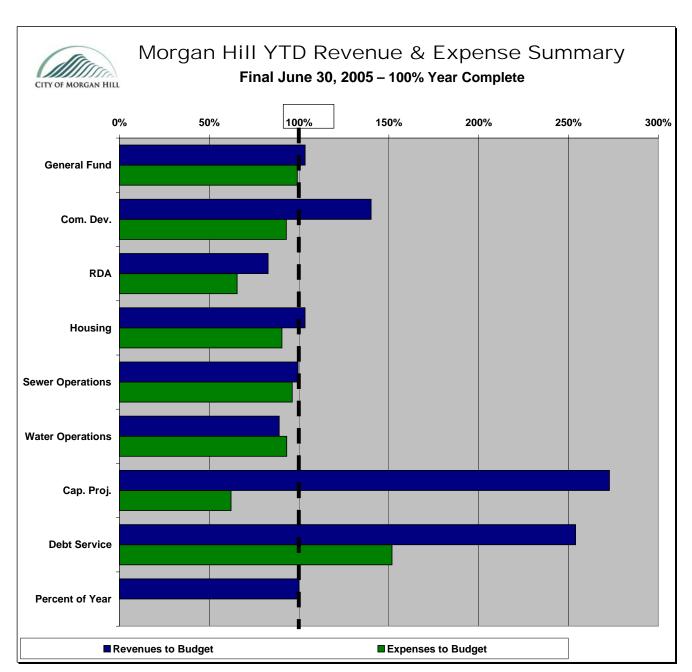
This analysis of the status of the City's financial situation reflects 100% of the year.

- * General Fund The revenues received in the General Fund were approximately 97% of the budgeted revenues. Property related taxes received through June 30 totaled 117% of budget. The amount of Sales Tax collected was 87% of the sales tax revenue budget and was 5% less than at this time last year. An amount equal to 100% of the budget for franchise fees has been collected to date. Business license and other permit collections were 94% of the budgeted amount. Motor Vehicle-in-Lieu revenues were 104% of the budgeted amounts, up 7% compared to last year. Interest & Other Revenue were only 90% of budget. The amount of Interest & Other Revenue collected was low because the City collected less rental income for Community & Cultural Center rental activity than anticipated and because declining interest rates have generated less interest earnings.
- * The General Fund expenditures and encumbrances to date totaled 94% of the budgeted appropriations. This total includes several activities for projects started in the last fiscal year; these projects and the related encumbrances were carried forward from the prior fiscal year.
- * Transient Occupancy (Hotel) Tax The TOT rate is 10%. The City received \$882,194 in revenue for the fiscal year, or 99% of the budgeted amount. The amount received was 5% less than the amount received in the same period for the prior year.
- * Community Development Revenues were 123% of budget, which was 21% more than the amount collected in the like period for the prior year. Increased revenues were received from building, planning, and engineering fees. Planning expenditures plus encumbrances were 91% of budget, Building has expended or encumbered 81% of budget and Engineering 85%. Community Development has expended or encumbered a combined total of 86% of the 2002/03 budget, including \$253,862 in encumbrances.
- * **RDA and Housing -** Property tax increment revenues of \$19,067,641, or 123% of budget, have been received as of June 30. This total has been reduced by \$581,354 which the Redevelopment Agency paid back to the County in May 2003, as required by a State law enacted to help balance the 2002/03 State budget prior to adoption of that budget. Redevelopment expenditures plus encumbrances for Business Assistance and Housing were 70

% of budget, including \$7,663,921 in encumbrances.

- * Water and Sewer Operations- Water Operations revenues, including service fees, were 99% of budget. Expenditures totaled 86% of appropriations. Sewer Operations revenues, including service fees, were 91% of budget. Expenditures for sewer operations were 89% of budget.
- * Investments maturing/called/sold during this period. During the month of June, \$2 million in federal agency investments was called, due to declining interest rates, and \$2 million was invested in federal agency investments. Further details of all City investments are contained on pages 6-8 of this report.

 $S: \ ACCTING \ Director \ MNTHRPRT \ any 11202. doc$



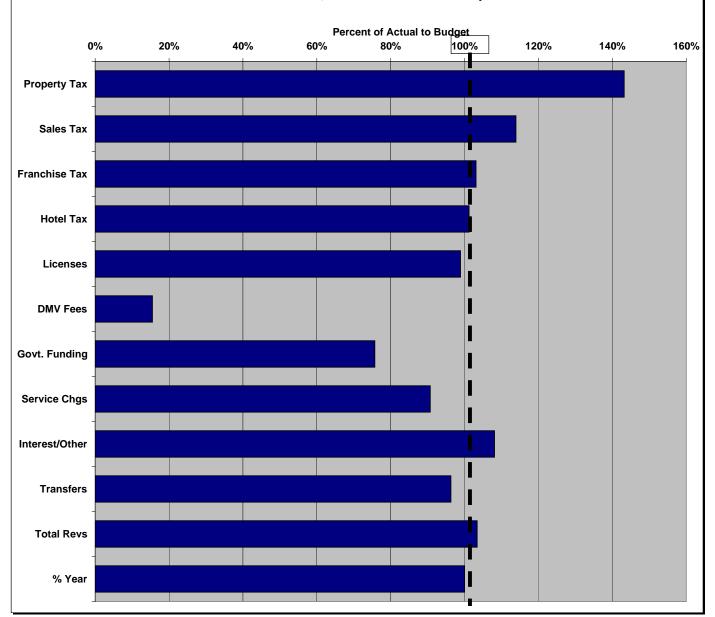
	REVENU	ES	EXPENS	ES	6/30/2005
		% OF	ACTUAL plus	% OF	UNRESTRICTED
FUND NAME	ACTUAL	BUDGET	ENCUMBRANCES	BUDGET	FUND BALANCE
General Fund	\$17,675,792	103%	\$19,351,097	99%	\$9,223,065
Community Development	3,834,962	140%	3,171,485	93%	2,145,882
RDA	14,961,648	83%	14,456,072	66%	4,298,741
Housing/CDBG	5,192,578	103%	5,673,974	90%	6,033,601
Sewer Operations	5,595,791	99%	6,280,846	96%	2,767,733
Sewer Other	2,790,178	212%	3,087,898	57%	12,097,748
Water Operations	7,701,925	89%	7,567,813	93%	3,662,950
Water Other	8,230,533	132%	5,917,545	54%	-387,848
Other Special Revenues 1	2,193,304	254%	1,017,001	44%	4,756,587
Capital Projects & Streets Funds	14,331,439	273%	12,406,170	62%	25,474,552
Debt Service Funds	819,362	254%	354,668	152%	863,754
Internal Service	4,761,014	91%	4,607,213	92%	5,125,992
Agency	3,613,634	141%	3,293,216	133%	4,220,184
				Ţ	
TOTAL FOR ALL FUNDS	\$91.702.160	116%	\$87.184.998	79%	\$80.282.941

¹ Includes all Special Revenue Funds except Community Development, CDBG, and Street Funds



Morgan Hill YTD General Fund Revenues

Final June 30, 2005 - 100% Year Complete

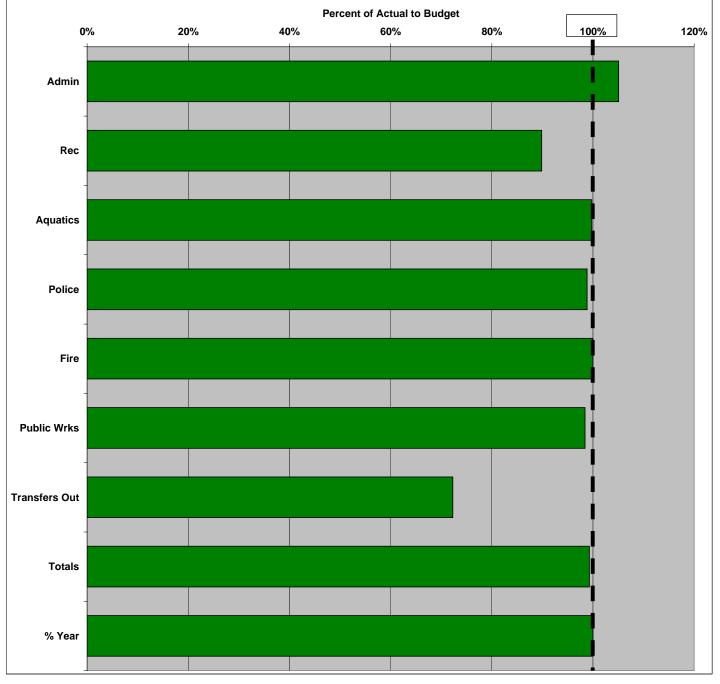


			% OF	PRIOR YEAR	% CHANGE FROM
REVENUE CATEGORY	BUDGET	ACTUAL	BUDGET	TO DATE	PRIOR YEAR
PROPERTY RELATED TAXES	\$3,328,396	\$4,767,384	143%	\$3,002,453	59%
SALES TAXES	\$4,852,000	\$5,524,960	114%	\$4,360,358	27%
FRANCHISE FEE	\$965,000	\$995,298	103%	\$975,498	2%
HOTEL TAX	\$945,000	\$956,327	101%	\$874,605	9%
LICENSES/PERMITS	\$201,720	\$199,502	99%	\$202,784	-2%
MOTOR VEHICLE IN LIEU	\$1,423,800	\$220,868	16%	\$1,566,611	-86%
FUNDING - OTHER GOVERNMENTS	\$304,400	\$230,330	76%	\$251,759	-9%
CHARGES CURRENT SERVICES	\$3,790,310	\$3,437,751	91%	\$2,685,432	28%
INTEREST & OTHER REVENUE	\$883,961	\$955,272	108%	\$942,410	1%
TRANSFERS IN	\$403,100	\$388,100	96%	\$777,058	-50%
	•		•	•	
TOTALS	\$17,097,687	\$17,675,792	103%	\$15,638,968	13%



Morgan Hill YTD General Fund Expenditures

Final June 30, 2005 – 100% Year Complete



Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
		l .	
ADMINISTRATION	3,368,660	3,539,554	105%
RECREATION/CCC	1,631,711	1,466,131	90%
AQUATICS	1,434,494	1,430,926	100%
POLICE	8,015,631	7,922,704	99%
FIRE	4,194,617	4,194,484	100%
PUBLIC WORKS	709,456	698,273	98%
TRANSFERS OUT	137,001	99,025	72%
TOTALS	\$ 19,491,570	\$ 19,351,097	99%
		Page 3	



City of Morgan Hill Fund Activity Summary - Fiscal Year 2004/05 Final For the Month of June 2005 100% of Year Completed

		100000 10000 10000	Revenues	100 /0 01 1	Expenses		Year to-Date	Ending Fun	d Balanco	Cash and In	voetmonte
Fund		Fund Balance	YTD	% of	YTD	% of	Deficit or	Litaling Full	u balance	Casii aliu ili	vestilients
No.	Fund	06-30-04	Actual	Budget	Actual	Budget	Carryover	Reserved ¹	Unreserved	Unrestricted	Restricted ²
010	GENERAL FUND	\$10,898,370	\$17,675,792	103%	\$19,208,807	99%	(\$1,533,015)	\$142,290	\$9,223,065	\$10,509,317	\$6,312
TOTAL G	ENERAL FUND	<u>\$10,898,370</u>	<u>\$17,675,792</u>	<u>103%</u>	<u>\$19,208,807</u>	99%	<u>(\$1,533,015)</u>	<u>\$142,290</u>	\$9,223,065	<u>\$10,509,317</u>	<u>\$6,312</u>
202	STREET MAINTENANCE	¢4 454 750	¢4 044 670	1000/	\$2.004.246	020/	(\$252.660)	\$400 00E	¢1 00E 100	¢4 400 040 II	1
202 204/205	STREET MAINTENANCE	\$1,454,752	\$1,841,678	122%	\$2,094,346	93% 100%	(\$252,668)	\$136,895	\$1,065,189	\$1,499,049	
204/205	PUBLIC SAFETY/SUPPL. LAW COMMUNITY DEVELOPMENT	\$321,965 \$1,482,405	\$109,442 \$3,834,962	103% 140%	\$175,520 \$2,968,096	87%	(\$66,078) \$866,866	\$203,389	\$255,887 \$2,145,882	\$255,089 \$2,470,199	
200	GENERAL PLAN UPDATE	\$231.849	\$127.690	126%	\$54.802	31%	\$72.888	\$87.652	\$2,145,662	\$321,210	
207	COMMUNITY CENTER	\$99.678	\$53.354	102%	\$34,602	n/a	\$72,000 \$53.354	\$67,032	\$153,032	\$152.621	
215 / 216		\$127.519	\$97,114	55%	\$175,930	27%	(\$78,816)	611,433	(\$562,730)	\$87,298	
215 / 216	ASSET SEIZURE	\$38,956	\$17,119	1678%	\$47,196	n/a	(\$30,077)	011,433	\$8,879	\$10,251	
229	LIGHTING AND LANDSCAPE	(\$1,173)	\$135,338	1073%	\$138,590	99%	(\$3,252)	\$17,855	(\$22,280)	\$4,709	
232	ENVIRONMENTAL PROGRAMS	\$675,334	\$476,939	119%	\$375,149	70%	\$101,790	\$44,550	\$732,574	\$707,317	
234	MOBILE HOME PK RENT STAB.	\$168.580	\$9,676	188%	\$11,223	6%	(\$1,547)	\$ 44 ,550	\$167,033	\$166,442	
23 4 235	SENIOR HOUSING	\$252.691	\$9,676 \$6.740	123%	\$9,266	46%	(\$2,526)		\$250,165	\$249,453	
235		+ - ,	\$1,206,216		. ,		\$1,191,216				
	HOUSING MITIGATION	\$1,141,855	\$1,206,216	10026%	15,000	1% 89%	(\$4,757)	-	\$2,333,071	\$2,327,895	
240 247	EMPLOYEE ASSISTANCE	\$80,549	· · ·	72%	40,198	69%	(, , , ,		\$75,792	\$76,584	
247	ENVIRONMENT REMEDIATION	\$570,000	15,349	n/a			\$15,349		\$585,349	\$583,694	
TOTAL SI	PECIAL REVENUE FUNDS	<u>\$6,644,960</u>	<u>\$7,967,058</u>	<u>151%</u>	<u>\$6,105,316</u>	<u>71%</u>	<u>\$1,861,742</u>	<u>\$1,101,774</u>	<u>\$7,404,928</u>	<u>\$8,911,811</u>	
301	PARK DEV. IMPACT FUND	\$3,539,104	\$1,288,615	218%	\$108,970	4%	\$1,179,645	\$115,196	\$4,603,553		\$4,720,393
302	PARK MAINTENANCE	\$3,047,206	\$637,525	250%	\$138,444	92%	\$499,081	¥110,100	\$3,546,287	\$3,541,385	* 1,1 = 0,000
303	LOCAL DRAINAGE	\$3.027.986	\$765.848	315%	\$1,536	0%	\$764.312		\$3,792,298	7 - 7 - 7 - 7 - 7 - 7 - 7 - 7 - 7 - 7 -	\$3,781,926
304	LOCAL DRAINAGE/NON-AB1600	\$3,249,120	\$285,467	195%	\$84,811	10%	\$200,656		\$3,449,776	\$3,340,305	¥=/ = /= =
306	OPEN SPACE	\$699,078	\$551,699	334%	2,879		\$548,820	\$10,000	\$1,237,898	\$1,245,435	
309	TRAFFIC IMPACT FUND	\$3,119,744	\$1,085,587	167%	\$652,571	29%	\$433,016	\$750,866	\$2,801,894	* ',= '0, '00	\$3,544,489
311	POLICE IMPACT FUND	\$83,370	\$164,277	415%	\$70,821	72%	\$93,456	\$10,000	\$166,826		\$176,388
313	FIRE IMPACT FUND	\$2,333,569	\$179,461	130%	\$1,380	1%	\$178,081	* 1/11	\$2,511,650		\$2,504,569
317	REDEVELOPMENT AGENCY	\$3,864,214	\$14,961,648	83%	\$8,438,123	38%	\$6,523,525	6,088,998	\$4,298,741	\$12,035,427	. , ,
327 / 328	HOUSING	\$6,872,096	\$5,095,464	105%	\$5,353,323	81%	(\$257,859)	17,906	\$6,596,331	\$6,966,465	
340/342	MORGAN HILL BUS.RANCH I & II	\$104,826	\$1,681	74%	82,144		(\$80,463)	-	\$24,363	\$24,287	
346	PUBLIC FACILITIES NON-AB1600	\$936,101	\$7,066,435	1123%	7,317,939		(\$251,504)	\$432,083	\$252,514	\$643,422	\$182,461
347	PUBLIC FACILITIES IMPACT FUND	\$314,545	\$121,785	163%	\$1,365	12%	\$120,420	-	\$434,965	¥ = = 7	\$433,873
348	LIBRARY IMPACT FUND	\$490,953	\$83,346	16%	\$202	0%	\$83,144		\$574,097		\$572,481
350	UNDERGROUNDING	\$1.140.023	193,520	80%	\$320,777	44%	(\$127,257)	82,945	\$929,821	\$1,016,645	* - / -
360	COMM/REC CTR IMPACT FUND	\$18,906	64,515	80%	+ ,	44%	\$64,515	- /	\$83,421	\$83,190	
TOTAL C	APITAL PROJECT FUNDS	<u>\$32,840,841</u>	<u>\$32,546,873</u>	<u>122%</u>	<u>\$22,575,285</u>	<u>49%</u>	<u>\$9,971,588</u>	<u>\$7,507,994</u>	<u>\$35,304,435</u>	<u>\$28,896,561</u>	<u>\$15,916,579</u>
441	POLICE FACILITY BOND DEBT	1	578,872	n/a	122,344		\$456,528	1	\$456,528	11	\$456,367
545	COCHRANE BUSINESS PARK	\$375,254	190.151	122%	192,842	100%	(\$2,691)		\$372,563	\$190,758	\$180,950
551	JOLEEN WAY	\$23,806	\$50,339	122%	\$39,482	100%	\$10,857		\$34,663	\$17,336	\$17,250
TOTAL D	EBT SERVICE FUNDS	\$399,060	\$819,362	<u>254%</u>	\$354,668	<u>152%</u>	\$464,694		\$863,754	\$208,094	<u>\$654,567</u>

Page 4



City of Morgan Hill Fund Activity Summary - Fiscal Year 2004/05 Final For the Month of June 2005 100% of Year Completed

		CITTOT MOR		100 /6 01	rear Completed						
			Revenues		Expenses		Year to-Date	Ending Fun	d Balance	Cash and In	vestments
Fund		Fund Balance	YTD	% of	YTD	% of	Deficit or				0
No.	Fund	06-30-04	Actual	Budget	Actual	Budget	Carryover	Reserved ¹	Unreserved	Unrestricted	Restricted ²
640	SEWER OPERATIONS	\$14,685,816	\$5.595.791	99%	\$6,223,375	95%	(\$627,584)	\$11,290,499	\$2,767,733	\$2,455,284	\$1,894,501
641	SEWER IMPACT FUND	\$9,717,249	\$2,136,593	179%	\$1,064,892	27%	\$1,071,701	4,652,460	\$6,136,490		\$7,182,340
642	SEWER RATE STABILIZATION	\$3,975,411	\$591,828	703%	\$2,117	100%	\$589,711	, , , , , , ,	\$4,565,122	\$4,553,001	
643	SEWER-CAPITAL PROJECTS	\$9,822,474	\$61,757	169%	\$874,569	58%	(\$812,812)	7,613,526	\$1,396,136	\$1,950,721	
650	WATER OPERATIONS	\$23,500,560	\$7,701,925	89%	\$7,181,396	88%	\$520,529	\$20,358,139	\$3,662,950	\$3,628,181	\$414,806
651	WATER IMPACT FUND	\$4,150,949	\$5,735,147	110%	\$1,742,202	40%	\$3,992,945	10,012,342	(\$1,868,449)	. , ,	\$3,864,784
652	WATER RATE STABILIZATION	\$26,627	\$709	159%	\$493	100%	\$216	- / - / -	\$26,843	\$26,767	, - , - , - , - , - , - , - , - , - , -
653	WATER -CAPITAL PROJECT	\$9,372,760	\$2,494,677	245%	\$2,173,494	69%	\$321,183	8,240,187	\$1,453,758	\$3,778,548	\$206,180
TOTAL E	NTERPRISE FUNDS	\$75 054 046		4440/		700/	CE OFF COO	¢60.467.4E0	\$40.440.E03	¢4¢ 202 E02	\$42 EC2 C40
IUIALE	NIERPRISE FUNDS	<u>\$75,251,846</u>	<u>\$24,318,427</u>	<u>111%</u>	<u>\$19,262,538</u>	<u>70%</u>	<u>\$5,055,889</u>	<u>\$62,167,153</u>	<u>\$18,140,583</u>	<u>\$16,392,503</u>	<u>\$13,562,610</u>
730	DATA PROCESSING	\$472,435	\$305,505	109%	\$474,956	88%	(\$169,451)	123,728	\$179,256	\$368,800	
730 740	BUILDING MAINTENANCE	\$726,398	\$1,613,606	98%	\$1,303,626	97%	\$309,980	16,740	\$1,019,638	\$1,187,943	
740 745	CIP ADMINISTRATION	\$52,654	\$1,171,244	84%	\$1,196,563	84%	(\$25,319)	19,857	\$7,478	\$127,018	
760	UNEMPLOYMENT INS.	\$47,278	\$30,305	50%	\$32,983	60%	(\$2,678)	19,007	\$44,600	\$44,600	
770 770	WORKER'S COMP.	\$5,634	\$734,119	84%	\$634,279	80%	\$99,840	_	\$105,474	\$852,246	\$40,000
790	EQUIPMENT REPLACEMENT	\$3,375,628	\$384,803	100%	\$208,780	88%	\$176,023	543,401	\$3,008,250	\$2,999,694	Ψ40,000
793	CORPORATION YARD	\$283.120	\$70.700	52%	\$129,431	75%	(\$58.731)	231,711	(\$7,322)	\$3.748	
795	GEN'L LIABILITY INS.	\$810,702	\$450,732	99%	\$492,816	115%	(\$42,084)	231,711	\$768,618	\$829,185	
			. ,		, ,		· / /		. , ,		
TOTAL IN	ITERNAL SERVICE FUNDS	<u>\$5,773,849</u>	<u>\$4,761,014</u>	<u>91%</u>	<u>\$4,473,434</u>	<u>90%</u>	<u>\$287,580</u>		<u>\$5,125,992</u>	<u>\$6,413,236</u>	<u>\$40,000</u>
000	CDECIAL DEDOCITO		1				1	1	1	£4.40E.000	1
820	SPECIAL DEPOSITS	\$381,939	¢ E 47 040	2/0	PCC7 400	2/2	(\$120,171)		\$261,768	\$1,125,820	
841 842	M.H. BUS.RANCH A.D.	\$32,149	\$547,318	n/a	\$667,489 \$57,647	n/a	(\$8,828)		\$23,321	\$261,695 \$23,314	
843	M.H. BUS. RANCH II A.D. M.H. BUS. RANCH 1998	\$1,296,650	48,819 \$1,120,738	n/a 123%	\$869,120	n/a 97%	\$251,618		\$1,548,268		#000 170
			. , ,	123%						\$657,363	\$890,172
844 845	MH RANCH RSMNT 2004A MADRONE BP-TAX EXEMPT	\$186,838 \$1,298,723	\$760,176 \$948,235		\$181,176 \$1,196,640	30% 149%	\$579,000 (\$248,405)		\$765,838 \$1,050,318	\$359,845 \$414,547	\$405,132 \$636,881
846	MADRONE BP-TAX EXEMPT	\$251,768	\$148,454	141%	\$321,144	183%	(\$172,690)		\$79,077	\$66,385	\$12,680
848	TENNANT AVE.BUS.PK A.D.	\$430,286	\$39,321	123%	Φ3Z1,144	na	\$39,321		\$469,607	\$468,279	\$12,000
881	POLICE DONATION TRUST FUND	\$21,414	\$573	123%		Ha	\$573		\$21,987	Ψ400,279	\$21,924
		. , ,	·						. , ,	J.	
TOTAL A	GENCY FUNDS	<u>\$3,899,767</u>	<u>\$3,613,634</u>	<u>141%</u>	<u>\$3,293,216</u>	<u>133%</u>	<u>\$320,418</u>		<u>\$4,220,184</u>	<u>\$3,377,247</u>	<u>\$1,966,789</u>
011141445	V DV EUND TVDE										
SUMMAR	Y BY FUND TYPE										
	GENERAL FUND GROUP	\$10,898,370	\$17,675,792	103%	\$19,208,807	99%	(\$1,533,015)	\$142,290	\$9,223,065	\$10,509,317	\$6,312
	SPECIAL REVENUE GROUP	\$6,644,960	\$7,967,058	151%	\$6,105,316	71%	\$1,861,742	\$1,101,774	\$7,404,928	\$8,911,811	
	DEBT SERVICE GROUP	\$399,060	\$819,362	254%	\$354,668	152%	\$464,694		\$863,754	\$208,094	\$654,567
	CAPITAL PROJECTS GROUP	\$32,840,841	\$32,546,873	122%	\$22,575,285	49%	\$9,971,588	\$7,507,994	\$35,304,435	\$28,896,561	\$15,916,579
	ENTERPRISE GROUP	\$75,251,846	\$24,318,427	111%	\$19,262,538	70%	\$5,055,889	\$62,167,153	\$18,140,583	\$16,392,503	\$13,562,611
	INTERNAL SERVICE GROUP	\$5,773,849	\$4,761,014	91%	\$4,473,434	90%	\$287,580	İ	\$5,125,992	\$6,413,236	\$40,000
	AGENCY GROUP	\$3,899,767	\$3,613,634	141%	\$3,293,216	133%	\$320,418		\$4,220,184	\$3,377,247	\$1,966,789
	TOTAL ALL GROUPS	\$135,708,693	\$91,702,160	116%	\$75,273,264	69%	\$16,428,896	\$70,919,211	\$80,282,941	\$74,708,769	\$32,146,858
		+,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	40.,702,100		4. 0,2. 0,204	<u>50 /3</u>	<u> </u>	4.0,010,211	400,202,011		452, . 40,000
	TOTAL CASH AND INVESTMENTS									<u>\$106,855,627</u>	

For Enterprise Funds - Unrestricted fund balance = Fund balance net of fixed assets and long-term liabilities.

¹ Amount restricted for encumbrances, fixed asset replacement, long-term receivables, and bond reserves.

² Amount restricted for debt service payments and AB1600 capital expansion projects as detailed in the City's five year CIP Plan and bond agreements.



CITY OF MORGAN HILL CASH AND INVESTMENT REPORT FINAL FOR THE MONTH OF JUNE 2005 FOR THE FISCAL YEAR OF 2004-05

	Invested	I	Book Value	Investment Category	% of	Market
	in Fund	Yield	End of Month	Subtotal at Cost	Total	Value
Investments	III Fullu	Heiu	Elia di Molitii	Subtotal at Cost	I Otal	Value
State Treasurer LAIF - City	All Funds Pooled	2.34%	\$25,541,737		23.90%	\$25,484,205
- RDA	RDA	2.34%	. , ,		23.90% 9.23%	. , ,
			\$9,864,708			\$9,842,488
- Corp Yard	Corp Yard	2.34%	\$53,186		0.05%	\$53,066
Federal Issues	All Funds Pooled	3.20%	\$56,245,855		52.65%	\$55,525,480
SVNB CD	All Funds Pooled	2.50%	\$2,000,000		1.87%	\$2,000,000
Money Market	All Funds Pooled	2.43%	\$761	\$93,706,247	0.00%	\$761
Bond Reserve Accounts - held by trustees						
BNY - 2002 SCRWA Bonds						
MBIA Repurchase & Custody Agmt	Sewer	4.78%	\$1,849,400			
Blackrock Provident Temp Fund		2.44%	\$45,101		1.77%	\$1,894,501
US Bank - 1999 Water C.O.P.			. ,			. , ,
FHLMC	Water	4.10%	\$414.806		0.39%	\$417,074
BNY - MH Water Revenue Bonds			, , , , , , , , , , , , , , , , , , , ,			* /-
Blackrock Liquidity Temp Fund	Water	1.38%	\$4,722,344		4.42%	\$4,722,344
BNY - MH Police Facility Lease Revenue Bond			¥ 1,1 ==,4 1 1			¥ 1,1 ==,0 1 1
JP Morgan Treasury Plus	Debt Service	2.22%	\$182,740		0.60%	\$182,740
FNMA	Public Facility	4.36%	\$456,088		0.0070	\$456,247
US Bank - MH Ranch 98	MH Ranch	1.0070	ψ100,000			Ψ100,217
First American Treasury Obligation	Agency Fund	2.54%	\$890,172		0.83%	\$890,172
BNY - Madrone Bus Park Tax Exempt	Madrone Bus Park	2.5470	ψ030,172		0.0070	ψ030,172
Blackrock Liquidity Temp Fund #20	Agency Fund	2.40%	\$637,689		0.60%	\$637,689
BNY - Madrone Bus Park Taxable	Madrone Bus Park	2.4070	ψ057,009		0.0076	Ψ051,009
Blackrock Liquidity Temp Fund #20	Agency Fund	2.40%	\$14,442		0.01%	\$14,442
BNY - MH Ranch 2004 A	MH Ranch Bus Park	2.40%	\$14,442		0.01%	φ14, 44 2
	Agency Fund	2.44%	\$405,132	\$9,617,914	0.38%	\$405,132
Blackrock Provident Temp Fund	Agency Fund	2.44%	\$405,132	\$9,617,914	0.38%	\$405,132
Other Accounts/Deposits						
General Checking	All Funds		\$1,500,000		1.40%	\$1,500,000
Dreyfuss Treas Cash Management Account	All Funds		\$1,841,444		1.72%	\$1,841,444
Heritage Bank - Cash in Escrow Account	Streets/Pub Fac	0.90%	\$143,710		0.13%	\$143,710
Athens Administators Workers' Comp	Workers' Comp		\$40,000		0.04%	\$40,000
Petty Cash & Emergency Cash	Various Funds	_	\$6,312	\$3,531,466	0.01%	\$6,312
		-				
Total Cash and Investments			<u>\$106,855,627</u>	<u>\$106,855,627</u>	<u>100.00%</u>	<u>\$106,057,807</u>
MH Financing Authority Investment in		1.75% to				
MH Ranch AD Imprymt Bond Series 2004		4.50%	\$4,795,000			Unavailable
MH Madrone Bus Park Bond Series A		5.82%	\$8,620,000			Unavailable
MH Madrone Bus Park Bond Series B		7.07%	\$1,110,000			Unavailable
			CACHACTIVITY	V 0111414 A D.V		

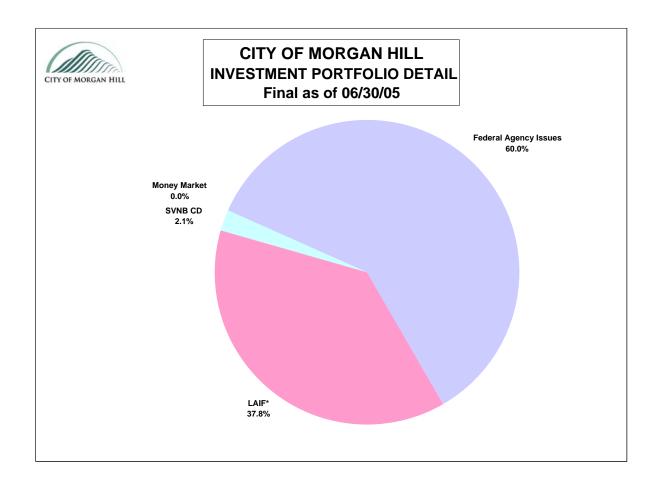
CASH ACTIVITY SUMMARY FY 04/05

	07/01/04	Change in	06/30/05		
Fund Type	Balance	Cash Balance	Balance	Restricted	Unrestricted
General Fund	\$11,307,873	(\$792,244)	\$10,515,629	\$6,312	\$10,509,317
Community Development	\$1,564,866	\$905,333	\$2,470,199	\$0	\$2,470,199
RDA (except Housing)	\$6,191,592	\$5,843,835	\$12,035,427	\$0	\$12,035,427
Housing / CDBG	\$7,244,293	(\$190,530)	\$7,053,763	\$0	\$7,053,763
Water - Operations	\$3,236,757	\$806,230	\$4,042,987	\$414,806	\$3,628,181
Water Other	\$3,450,125	\$4,426,155	\$7,876,280	\$4,070,965	\$3,805,315
Sewer - Operations	\$5,088,334	(\$738,549)	\$4,349,785	\$1,894,501	\$2,455,284
Sewer Other	\$13,072,660	\$613,402	\$13,686,062	\$7,182,340	\$6,503,722
Other Special Revenue	\$3,503,684	\$1,351,581	\$4,855,265	\$0	\$4,855,265
Streets and Capital Projects (except RDA)	\$23,802,360	\$3,507,937	\$27,310,297	\$15,916,579	\$11,393,718
Assessment Districts/Debt Service	\$397,995	\$464,666	\$862,661	\$654,567	\$208,094
Internal Service	\$6,337,439	\$115,797	\$6,453,236	\$40,000	\$6,413,236
Agency Funds	\$4,902,523	<u>\$441,513</u>	\$5,344,036	\$1,966,788	\$3,377,248
Total	<u>\$90,100,501</u>	<u>\$16,755,126</u>	\$106,855,627	\$32,146,858	\$74,708,769

Note: See Investment Porfolio Detail for maturities of "Investments." Market values are obtained from the City's investment brokers' monthly reports.

I certify the information on the investment reports on pages 6-8 has been reconciled to the general ledger and bank statements and that there are sufficient funds to meet the expenditure requirements of the City for the next six months. The portfolio is in compliance with the City of Morgan Hill investment policy and all State laws and regulations.

Prepared by:		Approved by:		
	Lourdes Reroma Accountant I		Jack Dilles Director of Finance	
Verified by:	Tina Reza		Mike Roorda	
	Assistant Director of Finance		City Treasurer	



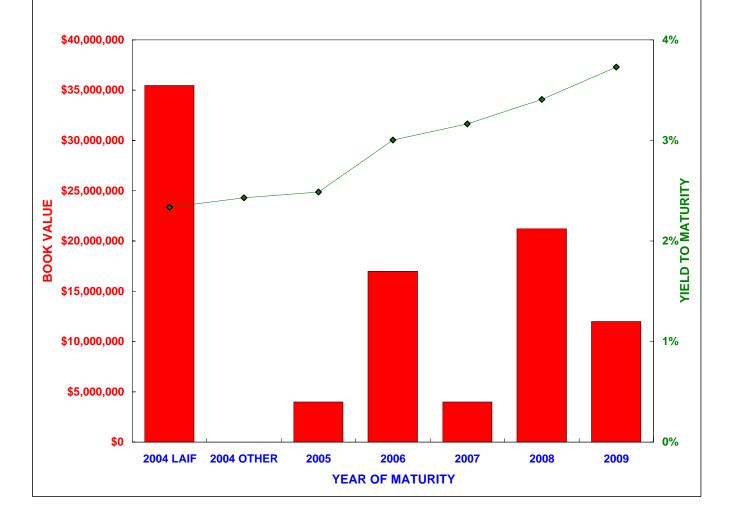
Investment Type	Purchase Date	Book Value	% of Portfolio	Market Value	Stated Rate	Interest Earned	Next Call Date	Date of Maturity	Years to Maturity
LAIF*		\$35,459,630	37.84%	\$35,379,759	2.336%	\$659,395			0.003
SVNB CD	07/07/03	\$2,000,000	2.13%	\$2,000,000	2.500%	\$34,472		07/07/05	0.019
Federal Agency Issues									
Fed Home Loan Bank	05/21/04	\$2,000,000	2.13%	\$1,992,500	2.474%	\$49,480	07/21/05	11/21/05	0.392
Fed Home Loan Bank	01/25/05	\$2,000,000	2.13%	\$1,991,880	3.000%	\$26,022	01/25/06	01/25/06	0.570
Fed Home Loan Mgt Corp	10/12/04	\$2,000,000	2.13%	\$1,983,840	2.700%	\$38,803	anytime	04/12/06	0.781
Fed Home Loan Bank	02/26/04	\$2,000,000	2.13%	\$1,979,380	2.563%	\$51,216	08/26/05	05/26/06	0.901
Fed Home Loan Bank	11/29/04	\$2,000,000	2.13%	\$1,984,380	3.076%	\$36,027	08/28/05	08/28/06	1.159
Fed Home Loan Mgt Corp	11/30/04	\$2,000,000	2.13%	\$1,983,420	3.070%	\$36,069	08/30/05	08/30/06	1.164
Fed Home Loan Bank	03/08/05	\$1,999,209	2.13%	\$1,991,880	3.470%	\$21,897	09/08/05	09/08/06	1.189
Fed Home Loan Bank	12/15/04	\$2,000,000	2.13%	\$1,986,880	3.250%	\$35,389	09/15/05	09/15/06	1.208
Fed Home Loan Bank	03/15/05	\$1,000,000	1.07%	\$996,250	3.500%	\$10,272	07/15/05	09/15/06	1.208
Fed Home Loan Bank	03/29/04	\$2,000,000	2.13%	\$1,956,260	2.650%	\$53,000	12/29/06	12/29/06	1.496
Fed Home Loan Bank	03/18/04	\$2,000,000	2.13%	\$1,969,380	3.030%	\$60,600	09/18/05	06/18/07	1.964
Fed Home Loan Bank	03/29/04	\$2,000,000	2.13%	\$1,952,500	3.300%	\$66,000	09/28/05	12/28/07	2.493
Fed Home Loan Mgt Corp	03/12/03	\$2,000,000	2.13%	\$1,979,260	3.500%	\$70,000	09/12/05	03/12/08	2.699
Fed Home Loan Bank	03/26/03	\$2,000,000	2.13%	\$1,972,500	3.375%	\$67,500	anytime	03/26/08	2.737
Fed Home Loan Mgt Corp	04/16/03	\$2,000,000	2.13%	\$1,982,300	3.600%	\$72,000	10/16/05	04/16/08	2.795
Fed Home Loan Mgt Corp	04/17/03	\$1,996,647	2.13%	\$1,977,120	3.625%	\$75,019	10/17/05	04/17/08	2.797
Fed Farm Credit Bank	06/03/03	\$2,000,000	2.13%	\$1,961,260	3.210%	\$64,200	12/03/05	06/03/08	2.926
Fed Farm Credit Bank	06/12/03	\$2,000,000	2.13%	\$1,946,880	2.950%	\$59,000	07/30/05	06/12/08	2.951
Fed Home Loan Bank	07/30/03	\$2,000,000	2.13%	\$1,948,760	3.000%	\$59,974	07/30/05	07/30/08	3.082
Fed Home Loan Bank	07/30/03	\$2,000,000	2.13%	\$1,954,380	3.243%	\$65,371	07/30/05	07/30/08	3.082
Fed Home Loan Bank	07/30/03	\$2,000,000	2.13%	\$1,969,380	3.400%	\$67,970	07/30/05	07/30/08	3.082
Fed Home Loan Bank	08/14/03	\$1,250,000	1.33%	\$1,239,450	3.690%	\$46,094	08/14/05	08/14/08	3.123
Fed Home Loan Bank	10/15/03	\$2,000,000	2.13%	\$1,993,120	4.000%	\$40,000	anytime	10/15/08	3.293
Fed Farm Credit Bank	03/16/04	\$2,000,000	2.13%	\$1,945,000	3.650%	\$73,000	anytime	03/16/09	3.710
Fed Home Loan Bank	03/26/04	\$2,000,000	2.13%	\$1,990,000	4.000%	\$80,000	07/26/05	03/26/09	3.737
Fed Home Loan Bank	04/06/04	\$2,000,000	2.13%	\$1,971,260	3.625%	\$72,500	anytime	04/06/09	3.767
Fed Home Loan Bank	04/07/04	\$2,000,000	2.13%	\$1,970,000	3.600%	\$72,000	07/07/05	04/07/09	3.770
Fed National Mortgage	04/16/04	\$2,000,000	2.13%	\$1,978,760	3.750%	\$75,000	07/16/05	04/16/09	3.795
Fed Home Loan Bank	04/29/04	\$2,000,000	2.13%	\$1,977,500	3.750%	\$75,000	07/29/05	04/29/09	3.830
Redeemed in FY 04/05						\$42,559			
Sub Total/Average		\$56,245,856	60.02%	\$55,525,480	3.204%	\$1,661,962			2.416
Money Market		\$761	0.00%	\$761	2.430%	\$8,180			0.003
TOTAL/AVERAGE		\$93,706,247	100.00%	\$92,906,000	2.920%	\$2,364,009			1.452

^{*}Per State Treasurer Report dated 6/30/2005, LAIF had invested approximately 9% of its balance in Treasury Bills and Notes, 27% in CDs, 20% in Commercial Paper and Corporate Bonds, 0% in Banker's Acceptances and 42% in others.



CITY OF MORGAN HILL

INVESTMENT MATURITIES
PRELIMINARY AS OF JUNE 30, 2005



YEAR OF	ВООК	MARKET	AVERAGE	% OF
MATURITY	VALUE	VALUE	RATE	TOTAL
2004 LAIF	\$35,459,630	\$35,379,759	2.336%	37.84%
2004 OTHER	\$761	\$761	2.430%	0.00%
2005	\$4,000,000	\$3,992,500	2.487%	4.27%
2006	\$16,999,209	\$16,854,170	3.003%	18.14%
2007	\$4,000,000	\$3,921,880	3.165%	4.27%
2008	\$21,246,647	\$20,924,410	3.408%	22.67%
2009	\$12,000,000	\$11,832,520	3.729%	12.81%
TOTAL	\$93,706,247	\$92,906,000	2.920%	100.00%



FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
010 GENERAL FUND	BODGET	BODOLI	AOTOAL	OI BODOLI	110	110	CHANGE
UIU GENERAL FUND							
TAXES							
Property Taxes - Secured/Unsecured/Prio	2,803,396	2,803,396	4,108,945	147%	2,363,025	1,745,920	74%
Supplemental Roll	157,500	157,500	240,779	153%	159,891	80,888	51%
Sales Tax	4,600,000	4,600,000	5,231,224	114%	4,119,830	1,111,394	27%
Public Safety Sales Tax	252,000	252,000	293,736	117%	240,528	53,208	22%
Transient Occupancy Taxes	945,000	945,000	956,327	101%	874,605	81,722	9%
Franchise (Refuse ,Cable ,PG&E)	965,000	965,000	995,298	103%	975,498	19,800	2%
Property Transfer Tax	367,500	367,500	417,660	<u>114</u> %	479,537	(61,877)	- <u>13</u> %
TOTAL TAXES	10,090,396	10,090,396	12,243,969	121%	9,212,914	3,031,055	33%
ICENSES/PERMITS							
Business License	155,000	155,000	156,690	101%	154,607	2,083	1%
Other Permits	46,720	46,720	42,812	92%	48,177	(5,365)	-11%
TOTAL LICENSES/PERMITS	201,720	201,720	199,502	99%	202,784	(3,282)	-2%
	•	•	•		•	(, ,	
FINES AND PENALTIES							
Parking Enforcement	12,000	12,000	13,360	111%	12,980	380	3%
City Code Enforcement	35,000	35,000	70,166	200%	59,987	10,179	17%
Business tax late fee/other fines	1,200	1,200	1,544	<u>129</u> %	1,304	240	<u>18</u> %
TOTAL FINES AND PENALTIES	48,200	48,200	85,070	176%	74,271	10,799	15%
OTHER AGENCIES							
Motor Vehicle in-Lieu	1,423,800	1,423,800	220,868	16%	1,566,611	(1,345,743)	-86%
Other Revenue - Other Agencies	304,400	304,400	230,330	76%	251,759	(21,429)	- <u>9</u> %
TOTAL OTHER AGENCIES	1,728,200	1,728,200	451,198	26%	1,818,370	(1,367,172)	-75%
CHARGES CURRENT SERVICES							
False Alarm Charge	20,000	20,000	24,776	124%	28,391	(3,615)	-13%
Business License Application Review	22,000	22,000	26,285	119%	25,797	488	2%
Recreation Classes	326,750	326,750	325,235	100%	254,359	70,876	28%
Aquatics Revenue	1,181,625	1,436,859	1,020,691	71%	204,000	70,070	2070
General Administration Overhead	1,793,851	1,793,851	1,793,851	100%	2,007,978	(214,127)	-11%
Other Charges Current Services	190,850	190,850	246,913	129%	368,907	(121,994)	-33%
TOTAL CURRENT SERVICES	3,535,076	3,790,310	3,437,751	91%	2,685,432	(268,372)	- <u>33</u> % -10%
	3,333,313	0,100,010	0, 101,101	0.70	_,,,,,,,	(200,012)	, .
THER REVENUE	910.064	819.261	00E 740	000/	705 067	0.075	40/
Use of money/property	819,261	, -	805,742	98%	795,867	9,875	1%
Other revenues	14,000	16,500	64,460	<u>391</u> %	72,272	(7,812)	- <u>11</u> %
TOTAL OTHER REVENUE	833,261	835,761	870,202	104%	868,139	2,063	0%
TRANSFERS IN	46- 444	4		10001	000.00	/	
Park Maintenance	125,000	125,000	125,000	100%	200,000	(75,000)	-38%
Sewer Enterprise	20,000	20,000	20,000	100%	17,500	2,500	14%
Water Enterprise	20,000	20,000	20,000	100%	17,500	2,500	14%
Public Safety	175,000	175,000	175,000	100%	273,000	(98,000)	-36%
Environmental Programs	48,100	48,100	48,100	100%		48,100	n/a
HCD Block Grant	15,000	15,000	-	n/a			n/a
Other Funds	<u>-</u>	<u>-</u>	-	<u>n/a</u>	269,058	(269,058)	<u>-100%</u>
TOTAL TRANSFERS IN	403,100	403,100	388,100	96%	777,058	(388,958)	-50%
TOTAL GENERAL FUND	16,839,953	17,097,687	17,675,792	103%	15,638,968	2,036,824	13%



FUND			CURRENT			INCR (DECR)	
REVENUE	ADOPTED	AMENDED	YTD	%	PRIOR	FROM PRIOR	%
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	CHANGE
SPECIAL REVENUE FUNDS							
202 STREET MAINTENANCE							
Gas Tax 2105 - 2107.5	674,000	674,000	672,454	100%	665,516	6,938	1%
Measure A & B	-	-	-	n/a	-	-	n/a
Tea 21	-	-	-	n/a	-	-	n/a
Transfers In	700,000	800,000	700,000	88%	725,000	(25,000)	-3%
Project Reimbursement		-	331,868	n/a	697,407	(365,539)	-52%
Interest / Other Revenue/Other Charges	29,635	29,635	137,356	<u>463%</u>	38,091	99,265	<u>261%</u>
202 STREET MAINTENANCE	1,403,635	1,503,635	1,841,678	122%	2,126,014	(284,336)	-13%
204/205 PUBLIC SAFETY TRUST							
Interest Income	6,103	6,103	8,242	135%	14,012	(5,770)	-41%
Police Grant/SLEF	100,000	100,000	101,200	101%	95,991	5,209	5%
PD Block Grant	-	-	-	n/a	-	-	n/a
CA Law Enforcement Equip.Grant	-	-	-	n/a	-	-	n/a
Federal Police Grant (COPS)	-	-	-	n/a	-	-	n/a
Transfers In				<u>n/a</u>			<u>n/a</u>
204/205 PUBLIC SAFETY TRUST	106,103	106,103	109,442	103%	110,003	(561)	-1%
206 COMMUNITY DEVELOPMENT							
Building Fees	1,403,000	1,403,000	1,906,947	136%	1,924,566	(17,619)	-1%
Planning Fees	791,621	791,621	671,181	85%	447,409	223,772	50%
Engineering Fees	516,500	516,500	1,153,368	223%	389,968	763,400	196%
Other Revenue/Current Charges	26,188	26,188	103,466	395%	38,565	64,901	168%
Transfers	· -	· -	· -	<u>n/a</u>	70,486	(70,486)	-100%
206 COMMUNITY DEVELOPMENT	2,737,309	2,737,309	3,834,962	140%	2,870,994	963,968	34%
207 GENERAL PLAN UPDATE	80,154	101,154	127,690	126%	104,085	23,605	23%
215 and 216 HCD BLOCK GRANT							
HCD allocation	166,440	166,440	77,717	47%	24,178	53,539	221%
Interest Income/Other Revenue	9,648	9,648	18,367	190%	6,832	11,535	169%
<u>Transfers</u>	<u>-</u>	-	1,030	<u>n/a</u>		1,030	<u>n/a</u>
215 and 216 HCD BLOCK GRANT	176,088	176,088	97,114	55%	31,010	66,104	213%
10 COMMUNITY CENTER	52,119	52,119	53,354	102%	4,465	48,889	1095%
25 ASSET SEIZURE	1,020	1,020	17,119	1678%	839	16,280	1940%
29 LIGHTING AND LANDSCAPE	130,766	130,766	135,338	103%	134,309	1,029	1%
32 ENVIRONMENTAL PROGRAMS	399,491	399,491	476,939	119%	453,968	22,971	5%
34 MOBILE HOME PARK RENT STAB.	5,148	5,148	9,676	188%	304,527	(294,851)	-97%
35 SENIOR HOUSING	5,501	5,501	6,740	123%	5,545	ì,195 [°]	22%
36 HOUSING MITIGATION	12,031	12,031	1,206,216	10026%	112,981	1,093,235	968%
40 EMPLOYEE ASSISTANCE	29,059	49,059	35,441	72%	91,907	(56,466)	-61%
247 ENVIRONMENT REMEDIATION	•	•	15,349	n/a	570,000	(554,651)	-97%



CITY OF MORGAN HILL	100% of Year C	ompleted					
FUND			CURRENT			INCR (DECR)	
REVENUE	ADOPTED	AMENDED	YTD	%	PRIOR	FROM PRIOR	%
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	CHANG
APITAL PROJECTS FUNDS							
01 PARK DEVELOPMENT	578,596	591,596	1,288,615	218%	992,617	295,998	30%
02 PARK MAINTENANCE	254,863	254,863	637,525	250%	336,330	301,195	90%
03 LOCAL DRAINAGE	243,292	243,292	765,848	315%	224,483	541,365	241%
04 LOCAL DRAINAGE/NON AB1600	146,377	146,377	285,467	195%	153,722	131,745	86%
06 OPEN SPACE	165,125	165,125	551,699	334%	240,241	311,458	130%
09 TRAFFIC MITIGATION	651,916	651,916	1,085,587	167%	1,476,623	(391,036)	-26%
11 POLICE MITIGATION	39,568	39,568	164,277	415%	125,271	39,006	31%
13 FIRE MITIGATION	138,417	138,417	179,461	130%	248,727	(69,266)	-28%
17 RDA CAPITAL PROJECTS							
Property Taxes & Supplemental Roll	17,048,868	17,280,277	14,305,878	83%	13,832,762	473,116	3%
Development Agreements			-	n/a		-	n/a
Interest Income, Rents	17,031	17,031	189,999	1116%	267,137	(77,138)	-29%
Other Agencies/Current Charges/Transfer	, <u> </u>	778,976	465,771	<u>n/a</u>	1,596,568	(1,130,797)	-71%
17 RDA CAPITAL PROJECTS	17,065,899	18,076,284	14,961,648	83%	15,696,467	(734,819)	-5%
27/328 RDA L/M HOUSING							
Property Taxes & Supplemental Roll	4,737,350	4,737,350	4,664,802	98%	4,390,446	274,356	6%
Interest Income, Rent	112,277	112,277	397,409	354%	589,863	(192,454)	-33%
Other	100	100	33,253	33253%	760,767	(727,514)	-96%
27/328 RDA L/M HOUSING	4,849,727	4,849,727	5,095,464	105%	5,741,076	(645,612)	-11%
46 PUBLIC FACILITIES NON-AB1600	629,137	629,137	7,066,435	1123%	2,969,322	4,097,113	138%
47 PUBLIC FACILITIES	74,737	74,737	121,785	163%	618,600	(496,815)	-80%
48 LIBRARY	526,000	526,000	83,346	16%	76,464	6,882	9%
50 UNDERGROUNDING	242,742	242,742	193,520	80%	104,270	89,250	86%
40/342 MH BUS.RANCH CIP I & II	2,270	2,270	1,681	74%	2,248	(567)	-25%
60 COMMUNITY/REC IMPACT FUND	44,399	44,399	64,515	145%	18,899	45,616	241%
OTAL CAPITAL PROJECTS FUNDS	25,653,065	26,676,450	32,546,873	122%	29,025,360	3,521,513	12%
SEDT SEDWICE FUNDS							
DEBT SERVICE FUNDS							
41 POLICE FACILITY BOND			578,872	n/a		578,872	n/a
36 ENCINO HILLS	1,495	1,495	-	n/a	1,491	(1,491)	-100%
39 MORGAN HILL BUSINESS PARK	250	250	-	n/a	260	(260)	-100%
42 SUTTER BUSINESS PARK	552	552	-	n/a	546	(546)	-100%
45 COCHRANE BUSINESS PARK	279,134	279,134	190,151	68%	196,068	(5,917)	-3%
51 JOLEEN WAY	41,235	41,235	50,339	122%	35,784	14,555	41%
OTAL DEBT SERVICE FUNDS	322,666	322,666	819,362	254%	234,149	585,213	250%



FUND REVENUE	ADOPTED	AMENDED	CURRENT YTD	%	PRIOR	INCR (DECR) FROM PRIOR	%
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	CHANGE
ENTERPRISE FUNDS							
640 SEWER OPERATION							
Sewer Service Fees	5,459,000	5,459,000	5,340,106	98%	5,255,576	84,530	2%
Interest Income	59,437	59,437	104,938	177%	110,469	(5,531)	-5%
Other Revenue/Current Charges	110,500	110,500	150,747	<u>136</u> %	177,492	(26,745)	- <u>15</u> %
640 SEWER OPERATION	5,628,937	5,628,937	5,595,791	99%	5,543,537	52,254	1%
641 SEWER EXPANSION							
Interest Income	94,826	94,826	176,005	186%	125,788	50,217	40%
Connection Fees	1,100,000	1,100,000	1,959,796	178%	2,192,708	(232,912)	-11%
<u>Other</u>			792	n/a	792		n/a
641 SEWER EXPANSION	1,194,826	1,194,826	2,136,593	179%	2,319,288	(182,695)	-8%
642 SEWER RATE STABILIZATION	84,161	84,161	591,828	703%	171,467	420,361	245%
643 SEWER-CAPITAL PROJECT	36,527	36,527	61,757	169%	561,448	(499,691)	-89%
TOTAL SEWER FUNDS	6,944,451	6,944,451	8,385,969	121%	8,595,740	(209,771)	-2%
550 WATER OPERATION						((-)	
Water Sales	5,821,375	5,821,375	6,007,972	103%	6,274,591	(266,619)	-4%
Meter Install & Service	40,000	40,000	112,814	282%	35,960	76,854	214%
Transfers-In, and Interest Income	2,516,848	2,516,848	781,409	31%	1,115,856	(334,447)	-30%
Other Revenue/Current Charges	279,688	279,688	799,730	<u>286</u> %	561,452	238,278	<u>42</u> %
650 WATER OPERATION	8,657,911	8,657,911	7,701,925	89%	7,987,859	(285,934)	-4%
651 WATER EXPANSION							
Interest Income/Other Revenue/Transfer	5,000,000	5,000,000	5,255,395	105%	842,697	4,412,698	524%
Water Connection Fees	200,000	200,000	479,752	240%	424,684	55,068	13%
651 WATER EXPANSION	5,200,000	5,200,000	5,735,147	110%	1,267,381	4,467,766	353%
652 Water Rate Stabilization	445	445	709	159%	9,665	(8,956)	-93%
653 Water Capital Project	1,016,646	1,016,646	2,494,677	245%	797,417	1,697,260	213%
TOTAL WATER FUNDS	14,875,002	14,875,002	15,932,458	107%	10,062,322	5,870,136	58%
TOTAL ENTERPRISE FUNDS	21,819,453	21,819,453	24,318,427	111%	18,658,062	5,660,365	30%
	21,019,433	21,019,433	24,310,421	11170	10,030,002	3,000,303	30 /6
NTERNAL SERVICE FUNDS							
730 INFORMATION SERVICES	279,995	279,995	305,505	109%	280,781	24,724	9%
40 BUILDING MAINTENANCE SERVICES	1,652,610	1,652,610	1,613,606	98%	892,494	721,112	81%
45 CIP ADMINISTRATION	1,395,765	1,395,765	1,171,244	84%	1,297,427	(126,183)	-10%
760 UNEMPLOYMENT INSURANCE	60,484	60,484	30,305	50%	22,088	8,217	37%
770 WORKERS COMPENSATION	875,300	875,300	734,119	84%	727,993	6,126	1%
790 EQUIPMENT REPLACEMENT	373,009	384,009	384,803	100%	257,009	127,794	50%
793 CORPORATION YARD COMMISSION	136,715	136,715	70,700	52%	233,236	(162,536)	-70%
795 GENERAL LIABILITY INSURANCE	453,709	453,709	450,732	99%	394,947	55,785	14%
OTAL INTERNAL SERVICE FUNDS	5,227,587	5,238,587	4,761,014	91%	4,105,975	655,039	16%



100% of Total Completor							
FUND		CURRENT			INCR (DECR)		
REVENUE	ADOPTED	AMENDED	YTD	%	PRIOR	FROM PRIOR	%
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	CHANGE
AGENCY FUNDS							
841 M.H. BUS.RANCH A.D. I	_	-	547,318	n/a	729,134	(181,816)	-25%
842 M.H. BUS.RANCH A.D. II	-	-	48,819	n/a	66,686	(17,867)	-27%
843 M.H. BUS.RANCH 1998	905,353	905,353	1,120,738	124%	676,569	444,169	66%
844 M.H. RANCH REFUNDING 2004A	619,142	619,142	760,176	123%	760,818	(642)	0%
845 MADRONE BP-TAX EXEMPT	826,553	826,553	948,235	115%	795,504	152,731	19%
846 MADRONE BP-TAXABLE	179,459	179,459	148,454	83%	167,041	(18,587)	-11%
848 TENNANT AVE.BUS.PK A.D.	37,993	37,993	39,321	103%	69,139	(29,818)	-43%
881 POLICE DONATION TRUST FUND	465	465	573	123%	464	109	23%
TOTAL AGENCY FUNDS	2,568,965	2,568,965	3,613,634	141%	3,265,355	348,279	11%
TOTAL FOR ALL FUNDS	77,570,113	79,003,232	91,702,160	116%	77,848,516	14,482,882	19%



City of Morgan Hill Year to Date Expenses - Fiscal Year 2004/05 Final For the Month of June 2005 100% of Year Completed

	CITY OF MORGAN HILL		100% of Year	Completed				
FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
010 GF	NERAL FUND							
UIU GL	NERAL FORD							
I. GEN	ERAL GOVERNMENT							
COLL	NOU AND MISSELL ANEOUS CO	./ T						
COU	NCIL AND MISCELLANEOUS GO City Council	VI. 21,053	174,319	204,648	227,858	3,602	231,460	113%
	Community Promotions	17,328	28,114	28,114	31,688		31,688	113%
COU	NCIL AND MISCELLANEOUS GO	38,381	202,433	232,762	259,546	3,602	263,148	113%
CITY	ATTORNEY	133,905	566,191	850,022	1,061,611	-	1,061,611	<u>125%</u>
CITY	MANAGER							
CITY	MANAGER City Manager	30,862	318,659	318,659	315,997		315,997	99%
	Cable Television	4,489	44,961	44,961	43,478		43,478	99 <i>%</i> 97%
	Communications & Marketing	13,322	71,045	71,045	66,193		66,193	93%
CITY	MANAGER	48,673	434,665	434,665	425,668		425,668	98%
		-,-	, ,	- ,	-,		-,	
REC	REATION							
	Recreation	57,710	285,551	285,551	312,574	-	312,574	109%
	Community & Cultural Center Aquatics Center	10,964 127,697	1,287,874 1,179,260	1,346,160 1,434,494	1,036,609 1,426,926	116,948 4,000	1,153,557 1,430,926	86% <u>100%</u>
DEC	REATION	196,371	2,752,685	3,066,205	2,776,109	120,948	2,897,057	94%
KEC	REATION	190,371	2,732,003	3,000,203	2,770,109	120,946	2,097,037	94 76
HUM	IAN RESOURCES							
	Human Resources	42,700	485,417	485,417	488,767	-	488,767	101%
	Volunteer Programs	3,198	55,912	55,912	50,874		50,874	<u>91</u> %
HUM	IAN RESOURCES	45,898	541,329	541,329	539,641		539,641	100%
CITY	CLERK							
	City Clerk	31,301	252,920	277,261	265,072	-	265,072	96%
	Elections	3,725	100,296	100,296	86,165		86,165	<u>86</u> %
CITY	CLERK	35,026	353,216	377,557	351,237	-	351,237	93%
FINA	ANCE	83,174	927,325	927,325	898,249	-	898,249	97%
MED	DICAL SERVICES	-		5,000			-	n/a
TOTAL (GENERAL GOVERNMENT	581,428	5,777,844	6,434,865	6,312,061	124,550	6,436,611	100%
II. PUBL	IC SAFETY							
POLI		60.040	644 704	644704	600 450		600 450	4000/
	PD Administration Patrol	69,616 376,043	614,784 4,106,920	614,784 4,121,520	663,159 4,038,668	736	663,159 4,039,404	108% 98%
	Support Services	141,763	949,449	949,449	915,834	730	915,834	96%
	Emergency Services/Haz Mat	946	46,252	50,265	16,327	4,013	20,340	40%
	Special Operations	132,270	1,195,840	1,203,958	1,345,602	-,,,,,,	1,345,602	112%
	Animal Control	9,398	86,078	86,078	89,950		89,950	104%
	Dispatch Services	78,174	988,927	989,577	848,015	400	848,415	<u>86</u> %
POLI	ICE	808,210	7,988,250	8,015,631	7,917,555	5,149	7,922,704	99%
FIRE	Ē	349,529	4,194,617	4,194,617	4,194,484	-	4,194,484	100%
TOTAL F	PUBLIC SAFETY	1,157,739	12,182,867	12,210,248	12,112,039	5,149	12,117,188	99%
III. COM	IMUNITY IMPROVEMENT							
	RK MAINTENANCE	115,655	705,572	709,456	685,682	12,591	698,273	98%
					·			
TOTAL (COMMUNITY IMPROVEMENT	115,655	705,572	709,456	685,682	12,591	698,273	98%



City of Morgan Hill Year to Date Expenses - Fiscal Year 2004/05 Final For the Month of June 2005 100% of Year Completed

	CITY OF MORGAN HILL		100% of Year	Completed				
FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT C TOTAL TO BUDGET
IV. TRA	NSFERS							
	General Plan Update			9,000		_		n/a
	Community Center	4,167	50,000	50,000	50,000	_	50,000	II/a
	Info Systems RDA Capital Project	-	49,025	49,025 28,976	49,025	-	49,025	100% <u>n/a</u>
TC	OTAL TRANSFERS	4,167	99,025	137,001	99,025	-	99,025	72%
TOTAL (GENERAL FUND	1,858,989	18,765,308	19,491,570	19,208,807	142,290	19,351,097	99%
SPECIAI	L REVENUE FUNDS							
202 STD	EET MAINTENANCE							
202 31K	Street Maintenance/Traffic	201,104	1,593,914	1,634,616	1,567,298	53,300	1,620,598	99%
	Congestion Management	4,036	80,329	80,329	66,490	22,200	66,490	83%
	Street CIP	116,522	44,993	526,328	460,558	83,595	544,153	<u>103</u> %
202 STR	EET MAINTENANCE	321,662	1,719,236	2,241,273	2,094,346	136,895	2,231,241	100%
204/205	PUBLIC SAFETY/SUPP.LAW	14,627	175,520	175,520	175,520		175,520	100%
206 COI	MMUNITY DEVELOPMENT FUND							
	Planning	117,346	1,086,783	1,236,714	1,160,519	84,061	1,244,580	101%
	Building	91,685	1,038,955	1,055,719	876,237	76,107	952,344	90%
206 COI	PW-Engineering MMUNITY DEVELOPMENT FUND	91,010 300,041	1,096,107 3,221,845	1,121,274 3,413,707	931,340 2,968,096	43,221 203,389	974,561 3,171,485	<u>87</u> % 93%
207	GENERAL PLAN UPDATE	19,235	60,498	177,742	54,802	87,652	142,454	80%
210	COMMUNITY CENTER	-	-	-		•	-	n/a
215/216		37,819	288,007	657,039	175,930	126,815	302,745	46%
225 229	ASSET SEIZURE LIGHTING AND LANDSCAPE	1,402 21,357	14,038	140,038	47,196 138,590	- 17,855	47,196 156,445	n/a 112%
232	ENVIRONMENT PROGRAMS	38,669	417,937	535,570	375,149	44,550	419,699	78%
234	MOBILE HOME PARK	334	5,202	200,545	11,223	11,000	11,223	6%
235	SENIOR HOUSING TRUST FUN		20,180	20,180	9,266	-	9,266	46%
236	HOUSING MITIGATION FUND	-	1,015,000	1,015,000	15,000	-	15,000	1%
240	EMPLOYEE ASSISTANCE	6,875	25,000	45,000	40,198	-	40,198	89%
TOTAL S	SPECIAL REVENUE FUNDS	760,742	6,962,463	8,621,614	6,105,316	617,156	6,722,472	78%
CAPITAI	L PROJECT FUNDS							
301	PARK DEVELOPMENT	17,395	2,062,944	2,889,271	108,970	115,196	224,166	8%
302	PARK MAINTENANCE	43,867	150,000	150,000	138,444	· -	138,444	92%
303	LOCAL DRAINAGE	128	2,001,536	2,001,536	1,536		1,536	0%
304 306	LOCAL DRAIN. NON-AB1600 OPEN SPACE	11,544	841,669	854,739	84,811	-	84,811	10%
309	TRAFFIC MITIGATION	1,309 219,785	1,050,000	2,246,433	2,879 652,571	750,866	2,879 1,403,437	62%
311	POLICE MITIGATION	495	88,937	98,444	70,821	10,000	80,821	82%
313	FIRE MITIGATION	115	101,380	132,676	1,380	-	1,380	1%
317	RDA BUSINESS ASSISTANCE	1,711,621	13,453,262	22,066,158	8,438,123	6,017,949	14,456,072	66%
327/328	RDA HOUSING	350,358	5,824,189	6,589,093	5,353,323	17,906	5,371,229	82%
340/342		000 000	FF0 00-	7 500 00-	82,144	400 0	82,144	n/a
346	PUBLIC FACILITIES	302,086	553,000	7,562,887	7,317,939	432,083	7,750,022	102%
347 348	PUBLIC FACILITIES	114	1,365	11,115	1,365		1,365	12% 0%
348 350	LIBRARY IMPACT UNDERGROUNDING	17 236,206	1,000,202 375,390	1,000,202 722,865	202 320,777	82,945	202 403,722	0% 56%
360	COMM/REC CTR IMPACT		50,000	50,000	-	02,343	-105,122	n/a
TOTAL (CAPITAL PROJECTS FUNDS	2,895,040	27,553,874	46,375,419	22,575,285	7,426,945	30,002,230	65%
		•						



City of Morgan Hill Year to Date Expenses - Fiscal Year 2004/05 Final For the Month of June 2005 100% of Year Completed

	CITTOF MORGAN TILL		100% of Year	Completed				
		THIS						
FUND		MONTH						PERCENT OF
NO.	FUND/ACTIVITY	ACTUAL	ADOPTED	AMENDED	YTD	OUTSTANDING	TOTAL	TOTAL TO
NO.	FOND/ACTIVITI	EXPENSES	BUDGET	BUDGET	EXPENSES	ENCUMBRANCE	_	BUDGET
		EXPENSES	BUDGET	BUDGET	EXPENSES	ENCOMBRANCE	ALLOCATED	BUDGET
DEBT S	ERVICE FUNDS							
441	POLICE FACILITY BOND DEBT	1			122,344		122,344	n/a
			-	-	122,344	-	122,344	
539	MORGAN HILL BUS. PARK A.D	-	-	-	-	-	-	n/a
542	SUTTER BUS. PARK A.D.	-	-			-		n/a
545	COCHRANE BUS. PARK A.D.	655	194,200	194,200	192,842	-	192,842	99%
551	JOLEEN WAY A.D.	655	39,561	39,561	39,482	-	39,482	100%
TOTAL	DEBT SERVICE FUNDS	1,311	233,761	233,761	354,668	-	354,668	152%
ENTER	PRISE FUNDS							
SEWER								
640	SEWER OPERATION	390,086	6,450,819	6,529,282	6,223,375	57,471	6,280,846	96%
641	CAPITAL EXPANSION	358,226	3,556,745	3,946,185	1,064,892	606,513	1,671,405	42%
642	SEWER RATE STABILIZATION	176	2,117	2,117	2,117	,	2,117	100%
643	SEWER-CAPITAL PROJECTS	206,595	472,539	1,515,015	874,569	539,807	1,414,376	93%
		955,083	10,482,220	11,992,599	8,164,953	1,203,791	9,368,744	78%
TOTAL	SEWER FUND(S)	955,065	10,462,220	11,992,599	6,164,953	1,203,791	9,366,744	70%
WATER								
	Water Operations Division	895,605	6,541,316	6,912,203	6,044,512	366,806	6,411,318	93%
	Meter Reading/Repair	148,883	719,352	743,447	694,716	19,611	714,327	96%
	Utility Billing	40,241	392,283	392,283	393,029		393,029	100%
	Water Conservation	3,959	59,466	77,712	49,139	_	49,139	63%
CEO						206 447		
650	WATER OPERATIONS	1,088,688	7,712,417	8,125,645	7,181,396	386,417	7,567,813	93%
651	CAPITAL EXPANSION	756,520	2,845,226	4,334,398	1,742,202	582,971	2,325,173	54%
652	WATER RATE STABILIZATION	41	493	493	493		493	100%
653	WATER-CAPITAL PROJECTS	904,265	1,115,923	3,170,822	2,173,494	1,418,385	3,591,879	<u>113</u> %
TOTAL	WATER FUND(S)	2,749,514	11,674,059	15,631,358	11,097,585	2,387,773	13,485,358	86%
TOTAL	ENTERPRISE FUNDS	3,704,597	22,156,279	27,623,957	19,262,538	3,591,564	22,854,102	83%
INTEDN	IAL SERVICE FUNDS							
INTERN	AL SERVICE FUNDS							
730	INFORMATION SERVICES	123,982	430,970	537,243	474,956	91,262	566,218	105%
740	BUILDING MAINTENANCE	172,133	1,343,445	1,343,445	1,303,626	16,740	1,320,366	98%
745	CIP ENGINEERING	117,774	1,395,765	1,431,786	1,196,563	18,826	1,215,389	85%
760	UNEMPLOYMENT		55,000	55,000	32,983	,	32,983	60%
770	WORKERS COMPENSATION	60,295	767,200	789,775	634,279	_	634,279	80%
		•	-	•		_	-	
790	EQUIPMENT REPLACEMENT	1,439	187,240	237,240	208,780	0.054	208,780	88%
793	CORP YARD COMMISSION	11,932	130,200	173,208	129,431	6,951	136,382	79%
795	GEN. LIABILITY INSURANCE	-	427,700	427,700	492,816	-	492,816	115%
TOTAL	INTERNAL SERVICE FUNDS	487,555	4,737,520	4,995,397	4,473,434	133,779	4,607,213	92%
AGENC	Y FUNDS							
841	MORGAN HILL BUS RANCH I	-	-	-	667,489	-	667,489	n/a
842	MORGAN HILL BUS RANCH II	-	-	-	57,647	-	57,647	n/a
843	MORGAN HILL BUS RANCH 98	676	893,395	893,395	869,120		869,120	97%
844	MH RANCH RSMNT 2004A	879	598,873	598,873	181,176	_	181,176	30%
845	MADRONE BP-TAX EXEMPT	11,394	800,730	800,730	1,196,640	_	1,196,640	149%
846	MADRONE BP-TAX EXEMPT	656	175,480	-	321,144	-	321,144	183%
		000	173,400	175,482	341,144	-	321,144	
848 881	TENNANT AVE BUS PARK AD POLICE DONATION TRUST	-		-	-	-	-	n/a n/a
			<u>-</u>	<u> </u>	<u>-</u>			
TOTAL A	AGENCY FUNDS	13,605	2,468,478	2,468,480	3,293,216	-	3,293,216	133%
REPOR	T TOTAL	9,721,839	82,877,683	109,810,198	75,273,264	11,911,734	87,184,998	79%



City of Morgan Hill Enterprise Funds Report - Fiscal Year 2004/05 Final For the Month of June 2005 100% of Year Completed

YTD INCOME STATEMENT FOR CURRENT AND PRIOR YEAR

		Sewer Ope	rations			rations		
			% of	Prior			% of	Prior
	Budget	YTD	Budget	YTD	Budget	YTD	Budget	YTD
Operations								
Revenues								
Service Charges Meter Install & Service	\$ 5,459,000	\$ 5,340,106	98%	\$ 5,255,576	\$ 5,821,375 40,000	\$ 6,007,972 112,814	103% 282%	\$ 6,274,591 35,960
Other	110,500	150,747	136%	177,492	279,688	1,431,578	512%	538,268
Total Operating Revenues	5,569,500	5,490,853	99%	5,433,068	6,141,063	7,552,364	123%	6,848,819
Expenses								
Operations Meter Reading/Repair	4,682,409	4,456,079	95%	4,397,865	4,750,307 637,156	5,093,892 694,716	107% 109%	4,609,326 571,717
Utility Billing/Water Conservation					399,783	442,168	111%	354,443
Total Operating Expenses	4,682,409	4,456,079	95%	4,397,865	5,787,246	6,230,776	108%	5,535,486
Operating Income (Loss)	887,091	1,034,774		1,035,203	353,817	1,321,588		1,313,333
Nonoperating revenue (expense)								
Interest Income	59,437	104,938	177%	110,469	16,848	149,561	888%	51,516
Interest Expense/Debt Services	(573,410)	(572,296)	100%	, , ,	, , ,		110%	(298,016)
Principal Expense/Debt Services	(975,000)	(975,000)	100%	(1,115,000)	(310,296)	(261,832)	84%	(238,314)
Total Nonoperating revenue (expense)	(1,488,973)	(1,442,358)		(1,591,156)	(536,697)	(381,059)		(484,814)
Income before operating xfers	(601,882)	(407,584)		(555,953)	(182,880)	940,529		828,519
Operating transfers in Operating transfers (out)	(220,000)	(220,000)	100%	- - (913,285)	2,500,000 (420,000)	(420,000)	100%	1,045,785 (573,090)
Net Income (Loss)	\$ (821,882)			\$ (1,469,238)	, ,	,	10076	\$ 1,301,214



City of Morgan Hill Balance Sheets - Water and Sewer Funds Final For the Month of June 2005 100% of Year Completed

	Sewer Operations (640)	Sewer Expansion Stabilization Capital Projects (641-643)	Water Operations (650)	Water Expansion Stabilization Capital Projects (651-653)
ASSETS				
Cash and investments:				
Unrestricted	2,455,284	6,503,722	3,628,181	3,805,315
Restricted ¹	1,894,501	7,182,340	414,806	4,070,965
Accounts Receivable		46,565		14,209
Utility Receivables	691,955		1,048,574	
Less Allowance for Doubtful Accounts	(16,091)		(19,501)	
Notes Receivable ²		9,371	0	
Fixed Assets ³	31,101,346	11,110,295	24,500,752	10,533,791
Total Assets	36,126,995	24,852,293	29,572,812	18,424,280
LIABILITIES				
Accounts Payable and Accrued Liabilities Deposits for Water Services & Other Deposits Deferred Revenue 4	306,355	488,559	586,312 21,575	168,831
Bonds Payable	24,275,000		5,830,437	
Discount on Bonds and Other Liabilities	(2,565,506)		(978,154)	
Accrued Vacation and Comp Time	53,325		91,552	
Total liabilities	22,069,174	488,559	5,551,722	168,831
FUND EQUITY				
Contributed Capital Retained Earnings	7,735,831		14,356,292	
Reserved for:				
Noncurrent water/sewer assets & debt	9,338,527	11,110,295	19,556,917	10,533,791
Encumbrances	57,471	1,146,320	386,417	2,001,356
Notes Receivable		9,371		
Restricted Cash	1,894,501		414,806	4,070,965
Total Reserved Retained Earnings	11,290,499	12,265,986	20,358,140	16,606,112
Unreserved Retained Earnings	2,767,322	12,097,748	3,662,950	1,649,337
Total Fund Equity	14,057,821	24,363,734	24,021,090	18,255,449
Total Liabilities and Fund Equity	36,126,995	24,852,293	29,572,812	18,424,280

¹ Restricted for Bond Reserve requirements and capital expansion.

 $^{^{\}rm 2}$ Includes Note for Sewer Financing Agreements.

³ Includes Water and Sewer infrastructure and the City's share of the Wastewater treatment plant.

⁴ Includes the deferred payment portion of the loans noted above.



City of Morgan Hill
Balance Sheets for Major Funds - Fiscal Year 2004/05
Final For the Month of June 2005
100% of Year Completed

Sewer

Water

General Fund RDA L/M Housing

	General Fund	KDA	L/M Housing (Fund 327/328)	(Fund 640)	Water
ASSETS	(Fund 010)	(Fund 317)	(Fund 327/326)	(Funa 640)	(Fund 650)
AGGETG					
Cash and investments:					
Unrestricted	10,509,317	12,035,427	6,966,465	2,455,284	3,628,181
Restricted ¹	6,312	o= o 45		1,894,501	414,806
Accounts Receivable Utility Receivables (Sewer and Water)	1,315,225	87,345		691,955	1,048,574
Less Allowance for Doubtful Accounts				(16,091)	(19,501)
Loans and Notes Receivable ²	423,645	3,595,106	28,295,469	411	(10,001)
Prepaid Expense	46,065	5,555,155	20,200,100		
Fixed Assets ³		71,049		31,101,346	24,500,752
Total Assets	12,300,564	15,788,927	35,261,934	36,127,406	29,572,812
LIABILITIES					
Accounts Payable and Accrued Liabilities	3,002,992	1,771,791	98,434	306,355	586,312
Deposits for Water Services & Other Deposits Deferred Revenue 4	15,185	2 620 207	20 540 264		21,575
Bonds Payable	694,940	3,629,397	28,549,264	24,275,000	5,830,437
Discount on Bonds and Other Liabilities				(2,565,506)	(978,154)
Accrued Vacation and Comp Time				53,325	91,552
Total liabilities	3,713,117	5,401,188	28,647,698	22,069,174	5,551,722
FUND EQUITY					
Contributed Capital				7,735,831	14,356,292
Fund Balance / Retained Earnings					
Reserved for:					
Noncurrent water/sewer assets & debt				9,338,527	19,556,917
Encumbrances	142,290	6,017,949	17,906	57,471	386,417
Restricted Cash				1,894,501	414,806
RDA properties held for resale		71,049			
Loans and Notes Receivable					
Total Reserved Fund Equity	142,290	6,088,998	17,906	11,290,499	20,358,140
Designated Fund Equity 5	4,109,213				
Unreserved/Undesignated Fund Equity	4,335,944	4,298,741	6,596,330	2,767,733	3,662,950
Total Fund Equity	8,587,447	10,387,739	6,614,236	14,058,232	24,021,090
Total Liabilities and Fund Equity	12,300,564	15,788,927	35,261,934	36,127,406	29,572,812

¹ Restricted for Petty Cash use, Bond Reserve requirements and sewer and water capital expansion.

² Includes Housing Rehab loans, Financing Agreements for Public Works Fees and loans for several housing and Agency projects.

³ Includes Water and Sewer infrastructure, the City's share of the Wastewater treatment plant and RDA properties held for resale.

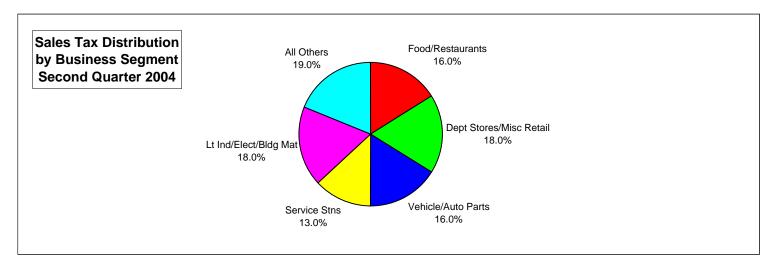
 $^{^{\}rm 4}$ Includes the deferred payment portion of the loans noted above.

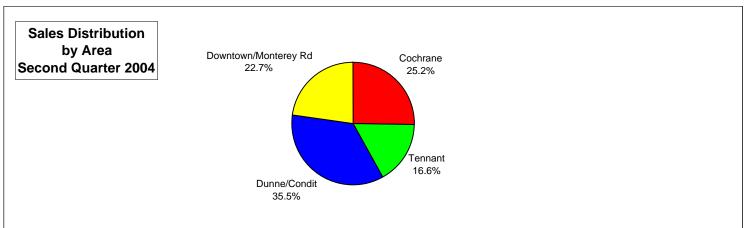
⁵ Designated as a general reserve.



City of Morgan Hill Sales Tax Comparison - Fiscal Year 2004/05 Final For the Month of June 2005 100% of Year Completed

Amount Collected for Month for Fiscal Year				Amount Colle	cted YTD for	Fiscal Year	Comparison of YTD for fiscal years			
Month	04/05	03/04	02/03	04/05	03/04	02/03	04/05 to 03/04	04/05 to 02/03		
July	\$307,500	\$338,300	\$367,600	\$307,500	\$338,300	\$367,600	(30,800)	(60,100)		
August	\$401,200	\$451,000	\$447,000	\$708,700	\$789,300	\$814,600	(80,600)	(105,900)		
September	\$518,724	\$232,994	\$361,932	\$1,227,424	\$1,022,294	\$1,176,532	205,130	50,892		
October	\$223,145	\$316,100	\$354,915	\$1,450,569	\$1,338,394	\$1,531,447	112,175	(80,878)		
November	\$299,300	\$421,400	\$474,800	\$1,749,869	\$1,759,794	\$2,006,247	(9,925)	(256,378)		
December	\$442,460	\$331,624	\$384,154	\$2,192,329	\$2,091,418	\$2,390,401	100,911	(198,072)		
January	\$708,525	\$349,500	\$368,600	\$2,900,854	\$2,440,918	\$2,759,001	459,936	141,853		
February	\$297,415	\$428,600	\$487,195	\$3,198,269	\$2,869,518	\$3,246,196	328,751	(47,927)		
March	\$564,262	\$292,930	\$225,908	\$3,762,531	\$3,162,448	\$3,472,104	600,083	290,427		
April	\$214,162	\$340,500	\$292,698	\$3,976,693	\$3,502,948	\$3,764,802	473,745	211,891		
May	\$769,125	\$385,525	\$394,500	\$4,745,818	\$3,888,473	\$4,159,302	857,345	586,516		
June	\$485,406	\$261,782	\$477,624	\$5,231,224	\$4,150,255	\$4,636,926	1,080,969	594,298		
Year To Da	nte Totals			\$5,231,224	\$4,150,255	\$4,636,926	\$1,080,969	\$594,298		
	Budget for Year			\$4,600,000	\$4,650,000	\$5,330,000	ψ1,000,303	Ψ554,250		
Percent of	•			\$4,000,000 114%	φ4,050,000 89 %	φο,οου,ουο 87%				
	increase(decreas	e)		11470	09%	0170	26%	13%		







CITY COUNCIL STAFF REPORT

MEETING DATE: August 24, 2005

FIRE INSPECTION & PLAN REVIEW FEES

RECOMMENDED ACTIONS:

- 1) Open and close Public Hearing
- 2) Adopt Resolution Revising Fire Inspection & Plan Review Fees

Agenda Item # 23
Prepared By:
Finance Director
C1
Submitted By:

City Manager

EXECUTIVE SUMMARY: The 2005/06 General Fund Budget

includes projected revenue from increased Fire inspection and plan review fees that would allow the City to recover full cost for commercial and newer multi-family alarmed residential facility inspections and for issuance of County Fire permits. These services are carried out by County Fire for the City under the current contract for fire services. To determine the precise cost of these services, number of inspections & permits, and billing process, staff from the City Manager's Office, Building Division, and Finance Department met with County Fire over the last several months. Now staff proposes that the fees listed on Exhibit A be approved by the City Council. Fees for hazardous materials inspections and for fire sprinkler and fire alarm permits have been updated. New fees for annual inspections, re-inspections, self inspections, hazardous materials inspections, additional permit/plan reviews, and operational permits are also proposed.

Attachment A reflects fire inspection and plan review fees charged by Gilroy, Campbell, and San Jose. Annual inspection fees would be charged in Morgan Hill, for the first time, to every fixed place of business, whether commercial or industrial, to day care facilities, and to large multi-family residential alarmed facilities. The proposed Morgan Hill annual inspection fee, which would be charged to about 937 commercial and industrial enterprises, would be \$210, while the average fee for the three other jurisdictions ranges from \$258 to \$772. In addition, staff proposes that self-inspection fees, which would be charged to approximately 443 customers, would be set at only \$17 to reflect the smaller effort by County Fire staff to process annual self-inspection documentation. Businesses with a higher risk associated with hazardous materials, such as auto repair businesses and service stations, would be inspected every year and, while less risky operations, such as office buildings and general retail, would conduct self-inspections two out of every three years and would be physically inspected in the third year.

Under the new fee schedule, the 4th of July event put on by IDI would be charged a total of \$1,102, comprised of a new \$551 fee for fireworks inspection and plan review and \$551 for a permit to use a large tent at Community Park. The annual Taste of Morgan Hill and Mushroom Mardi Gras events would be charged \$551 for a carnival/fair permit.

FISCAL IMPACT: The fees for an entire year would be \$301,000 (see Attachment B). For 2005/06, staff estimates \$254,000, or \$86,000 less than the amount included in the 2005/06 Budget. Most of the reduction results from the unanticipated large number of \$17 self inspections in place of higher initially projected \$210 annual inspections.



Memorandum Finance Department

Date: August 17, 2005

To: Ed Tewes, City Manager

From: Jack Dilles, Finance Director

Subject: FIRE INSPECTION & PLAN REVIEW FEES

The 2005/06 General Fund Budget includes projected revenue from increased Fire inspection and plan review fees that would allow the City to recover the full cost for inspections of commercial, industrial, day care facilities, and certain multi-family residential facilities carried out by County Fire and for issuance of County Fire permits. These services are carried out by County Fire on behalf of the City as part of the current contract for fire services. In order to determine the precise cost of these services, number of inspections & permits, and billing process, staff from the City Manager's Office, Building Division, and Finance Department met with County Fire over the last several months. This work has now been completed and staff proposes that the fees listed on Exhibit A to the attached resolution be approved by the City Council. Fees for hazardous materials inspections and for fire sprinkler and fire alarm permits have been updated. New fees for annual inspections, re-inspections, self inspections, additional hazardous materials inspections, additional permit/plan reviews, and operational permits are also proposed.

Staff has obtained fire inspection and plan review fees charged by Gilroy, Campbell, and San Jose. These fees are described in Attachment A. Annual inspection fees would be charged in Morgan Hill, for the first time, to every fixed place of business, whether commercial or industrial, to day care facilities, and to large multi-family residential alarmed facilities in the Morgan Hill City limits. In general, the annual inspection fees are significantly less than the average of the amounts charged in Gilroy, Campbell, and San Jose. The proposed Morgan Hill annual inspection fee, which would be charged to about 937 commercial and industrial enterprises, would be \$210, while the average fee for the three other jurisdictions range from \$258 to \$772.

In addition, staff proposes that self-inspection fees, which would be charged to approximately 443 commercial and industrial enterprises, would be set at only \$17 to reflect the lesser effort by County Fire staff for the processing of annual self-inspection documentation. The specific businesses, which make up about a third of

total annual inspections, that would be allowed to conduct self-inspections, will be determined by County Fire, consistent with current practice. Businesses with a higher risk associated with hazardous materials, such as auto repair businesses and service stations, would be inspected every year, while less risky operations, such as office buildings and general retail, may conduct self-inspections two out of every three years and would be physically inspected at least once every three years. In general, all businesses would have an actual physical inspection, and would pay the higher fee, at least once every three years. Gilroy and San Jose do not allow self-inspections, so businesses in those communities would go through annual inspections and would pay the higher fees. Campbell has recently instituted self-inspections. In addition, staff proposes re-inspection fees of \$53 for each time that County Fire must revisit a business because the business was not prepared for the inspection. Campbell has a re-inspection fee of \$74 upon the fourth visit for one inspection, and it is not known whether San Jose and Gilroy charge for re-inspections.

Other fees proposed by staff include annual hazardous material facility inspections/permits, hazardous material facility inspections, underground tank fees, above ground tank fees, permit/plan review fees, and operational permit fees. In general, all fees would apply to commercial and industrial enterprises only, including day care facilities, except that permit/plan review fees for fire sprinklers & related systems and for fire alarms would also be charged to multi-residential facilities such as apartment buildings.

In response to Morgan Hill Chamber of Commerce questions, staff has identified the effect that these new fees would have on community events. New fees would be charged for fireworks, for carnivals or fairs, and tents larger than 200 square feet, and for canopies larger than 400 square feet. The use of the Community and Cultural Center (CCC) would incur a \$551 fee for larger tents or canopies if they were used in an event (none have been up to this point). Alternatively, if an event held at the CCC rose to the level of a fair that required County fire inspection, a fee of \$551 would be charged. The 4th of July event put on by IDI would be charged a total of \$1,102, comprised of a new \$551 fee for fireworks inspection and plan review and \$551 for a permit to use a large tent at Community Park. Similarly, the annual Taste of Morgan Hill event would be charged \$551 for a tent permit. These fees would be in addition to any existing fees charged by County Fire for overtime staff assigned to be on-site during events.

City staff would bill customers for annual inspections, re-inspections, and self inspections. Other fees would be billed to customers by County Fire and, upon collection, consistent with the city/County Fire contract, credited to the City as reductions in amounts due as County Fire bills the City for services each month.

FISCAL IMPACT:

The collection of these increased fees is consistent with the City Council's policy of full cost recovery. The City Council's Principles to Guide the Sustainable Budget Strategy read "Special services designed for only a few should be paid for by user charges and fees." The total amount of fees estimated to be collected for an entire year, following adoption of the proposed fees, as shown on Attachment B, would be \$301,000. For 2005/06, the amount is estimated to be \$254,000, or \$86,000 less than the amount included in the 2005/06 Budget. Part of this shortfall is the result of taking an extra month to complete discussions with County Fire, while most of the reduction results from the unanticipated large number of \$17 self inspections in place of higher initially projected \$210 annual inspections.

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL REVISING FIRE INSPECTION AND PLAN REVIEW FEES PURSUANT TO TITLE 3, CHAPTER 3.50, OF THE MORGAN HILL MUNICIPAL CODE

WHEREAS, on September 7, 1988, the City Council of the City of Morgan Hill adopted Ordinance No. 880, N.S., codified as Chapter 3.50 of the Morgan Hill Municipal Code, which establishes City policy as to the percentage of the City's costs to be recovered from users of City services; and,

WHEREAS, consistent with Chapter 3.50, City policy is to recover the full cost of providing special services of a voluntary and limited nature, in order that general tax monies used to fund services of a broader nature, such as police and fire protection, are not diverted and thereby utilized to unfairly and inequitably fund special services; and,

WHEREAS, in order to effectuate its cost recovery policy the City Council has adopted various resolutions setting forth fees and charges;

WHEREAS, the Santa Clara County Central Fire Protection District, which provides the services under contract to the City, has transmitted the cost of providing the services for which these fees are to be charged, to the City;

WHEREAS, City staff has made available to the public documentation related to the costs of providing those services and related to the revenues produced by those paying fees and charges for those services; and,

WHEREAS, on August 24, 2005, the City Council held a noticed public hearing on the fees, and duly considered all written and verbal information presented to it, which testimony and exhibits are hereby incorporated into the record of this matter.

NOW, THEREFORE, the City Council of the City of Morgan Hill, based upon all documents, statements and facts known to the City, does hereby resolve:

SECTION 1. <u>Fee Schedule Adoption</u>. Based upon the record before it and the findings set forth above, the City Council hereby adopts the schedule of fees attached hereto and incorporated herein as <u>Exhibit A</u>, so that the fees attached hereto in Exhibit A are implemented. The City Council directs the City Manager to have appropriate City departments and the Santa Clara County Central Fire Protection District apply and collect said fees for identified services.

SECTION 2. <u>Separate Fee For Each Process; Additional Fees and Refunds.</u> All fees set by this resolution are for each identified process or service. Additional fees shall be required for each additional process or service that is requested or required. Where fees are indicated on a per unit basis of measurement, the fee stated is for the identified unit or portion thereof within the indicated ranges of such units.

City of Morgan Hill	
Resolution No.	
Page 2 of 3	

SECTION 3. <u>Collection of Fees and Implementation Dates.</u> The City Council hereby orders that all increases in fees specified in <u>Exhibit A</u> be effective September 26, 2005.

SECTION 4. <u>Automatic Annual Adjustment</u>. Each fee which is referenced in <u>Exhibit A</u> shall be adjusted automatically on July 1 of each fiscal year, beginning on July 1, 2006, by the increase in the Consumer Price Index for Urban Wage Earners, for the year ended the previous April.

SECTION 5. <u>Interpretation.</u> This Resolution may be interpreted by the City Manager. Should there be a conflict in regards to the applicability of the fees, or the charges imposed thereunder, the City Manager is authorized to determine which fee, or combination thereof, should be applied.

SECTION 6. <u>Severability.</u> If any portion of this Resolution is declared invalid by a court of competent jurisdiction then it is the intent of the City Council that all other portions of the Resolution shall be severed and remain in full force and effect.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Special Meeting held on the 24th Day of August, 2005 by the following vote.

AYES: COUNCIL MEMBERS: NOES: COUNCIL MEMBERS: ABSTAIN: COUNCIL MEMBERS: ABSENT: COUNCIL MEMBERS:

***** CERTIFICATION *****

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No., adopted by the City Council at a Special Meeting held on August 24, 2005.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE:	
	IRMA TORREZ, City Clerk

	Account	Service Center	Unit	Fee Currently	Proposed
No	Number			Charged	Fee
76		Annual Fire Inspection Fee	Inspection	\$0	\$210
		Fire Re-inspection Fee	Re-inspection	\$0	\$53
	38145	Fire Self Inspection Fee	Inspection	\$0	\$17
77		Annual Hazardous Materials			
	Account	Facility Inspection/Permit:			
	37686	Category 1	Inspection	\$0	\$131
		Category 2	Inspection	\$0	\$236
		Category 3	Inspection	\$0	\$446
78	Fund 010	Hazardous Materials Facility			
	Account	Closure Inspection Fees:			
	37686	Level 1:	Inspection	\$175	\$131
		Level 2:	Inspection	\$350	\$341
		Level 3:	Inspection	\$440	\$551
79	Fund 010	Underground Tank Fees:			
		Removal of 1 st Tank	Tank	\$200	\$394
	37686	Each Additional Tank	Tank	\$100	\$131
		Installation of 1 st Tank	Tank	\$200	\$761
		Each Additional Tank Installation	Tank	\$100	\$184
80	Fund 010	Above Ground Tank Fees:		·	
		Removal of 1 st Tank	Tank	\$0	\$446
	37686	Each Additional Tank	Tank	\$0	\$131
		Installation of 1 st Tank	Tank	\$0	\$184
		Each Additional Tank Removal	Tank	\$0	\$131
81		Fire Permit/Plan Review Fees:		7.7	7
0.		Fire Sprinkler & Related Systems	Permit	\$90	341
		Fire alarms	Permit	\$90	341
		Hazardous Materials Plan	Permit	\$0	\$236
		On-Site Hydrant	Permit	\$0	\$236
		Fireworks	Permit	\$0	\$551
		Carnival/Fair	Permit	\$0	\$551
		Alternate Materials/Methods of	1 Onnie	Ψ	ΨΟΟΙ
		Construction Review	Permit	\$0	\$131
		Underground Fire, Ansul		Ψ~	ų i v i
		Systems, Alarm Systems	Permit	\$0	\$341
		Underground Supply Piping/		ΨΟ	ΨΨΤΙ
		Hydrant Systems	Permit	\$0	\$236
82	Fund 010	Fire Operational Permit fees:	. Citin	ΨΟ	ΨΣΟΟ
02		Candles/Open Flames in			
	37671	Assemblies	Permit	\$0	\$131
		Hot Work Operations	Permit	\$0 \$0	\$131 \$131
		Industrial Baking/Drying Ovens	Permit	\$0 \$0	\$131 \$394
		Tents/Canopies	Permit	\$0 \$0	\$554 \$551
		Combustible Fiber Storage			\$131
			Permit	\$0 \$0	
		High Piled Storage Tire Storage	Permit Permit	\$0 \$0	\$236 \$131

Fire Depart	ment Fees	Comp	aris	son		ATT/	ACHMI	ENT A	1			
Fee Description				Fe	es							
	Morgan Hill Fees Est. 1995	Gili Fees Est		05	Campl Fees Est. F		San - Fees Est		Avera	ge Fee	#276(useksentmission)	Fees
PUBLIC ASSEMBLY FEE	None		\$	200	<300 = >300 =	\$ 187 \$ 312		\$ 250	\$	212	1	lone
ANNUAL INSPECTION FEE includes day care, residential care, institutional, various businesses		permitted buildings = to	\$	200	day care and residential care other buildings	\$187 \$187 to		\$ 315 \$ 1,263	\$	258 772	\$	210
Self-Inspection Fee	None		N/A			None	*	None		N/A	\$	17
Re-Inspection Fee	None		N/A			N/A	Q -	N/A		N/A	\$	53
FACILITY CLOSURE	None	1st hour and \$85/each addt'l hour	\$	255	above grnd.closure & system closure	61 to \$2	plus fees for removal and storage of haz mat	\$ 481	\$	368	\$223	average
Level 1:	None										\$	131
Level 2:	None										\$	341
Level 3: ANNUAL HAZARDOUS MATERIALS INSPECTIONS	None										\$	551
Level 1:	\$ 175		\$	110		\$ 187		\$ 127	\$	150	\$	131
Level 2: Materials/amounts/storage not covered under Level 1 or 3 Inspection	\$ 350		\$	280		\$ 218		\$ 254	\$	276	\$	236
Level 3: Underground tanks, toxic gases, 5 or more hazardous classes; hazardous class liquid or solid, non-toxic & flammable gas of QR=3 + or of QR=4+	\$ 440		\$	370		\$ 349		\$ 381	\$	385	\$	446
Level 4: Facilities with < 100,000 lbs of solids; < than 10,000 gallons of liquids;<50,000 cubic fee at STP of gases	\$ 440		\$	500		N/A		\$ 508	\$	483		None

Fee Description				Fe	ees							F (100)		
	Morgan Hill Fees Est. 1995	Gil Fees Est		04/05	Camp Fees Est. F		olesa korasi (ko	San Fees Est			Aver	age Fee		oosed I. Fees
Level 5:									_					
Fees associated with all aspects of storage, handling, mitigation of regulated materials within city limits.	None		\$	585			N/A		\$	635	\$	610		None
UNDERGROUND TANK														
Annual Underground Tank Permit	None			N/A		\$	349		\$	242	\$	296		None
Removal of 1st tank	\$200		\$	560			N/A			N/A	\$	380	\$	394
Each additional tank	\$100		\$	560			N/A			N/A	\$	330	\$	131
Installation of 1st tank	\$200		\$	825		\$	375		\$	481	\$	470	\$	761
Each additional tank	\$100		\$	825		\$	375		\$	192	\$	373	\$	184
modification	None		\$	300		\$	242		\$	192	\$	245		None
ABOVE GROUND TANK	None		\$	1,020		\$	375		\$	481	\$	625		
Removal of 1st tank													\$	184
Each additional tank													\$	131
Installation of 1st tank													\$	446
Each additional tank													\$	131
modification	None		\$	300		\$	250		\$	192	\$	247		None
PERMIT/PLAN REVIEW FEES								1						
Fire Sprinklers & Related Systems	\$ 90		\$	100	plus \$1.25/hd plus \$5 per	\$	150		\$	164	\$	138	\$	341
Fire Alarms	\$ 90		\$	305	device	\$	281		\$	162	\$	210	\$	341
Underground fire, ansul systems, alarm systems	\$90	included in plan review		N1/A	plus \$5 per device	œ	281	permit plus inspection fee	\$	262	\$	211	\$	341
	จุฮบ	iee		19/7	device	φ	201	icc	φ	202	Ψ	211	Ψ	971
Underground supply piping/hydrant systems	None			N/A		N	/A		N/	٨		N/A	\$	236
Systems	None			14/74		11/	/A		449	% of		14/7	¥	200
Architectural Review	None		\$	305			\$72		build pern	nit fee	\$	189		None
Architectural Inspection	None		\$	215			N/A			6 bldg nit fee	\$	215		None
Architectural hispection	itolio		Ψ	2.0				for 1st 2	p		 			
Sub-division Site Review	None			N/A		\$	125	hours	\$	324	\$	225		None
Haz Mat Permit Fee	None			N/A		\$	349		\$	481	\$	415		None
Haz mat plan review and inspection	None		\$	360		\$	187		\$	162	\$	236	\$	236
On-Site Hydrant	None		1	N/A		\$	349			N/A	\$	349	\$	236
Explosives/Blasting Agents/Fireworks	None	i i	\$	1,955		\$	218		\$	444	\$	872	\$	551
Candles/Open Flames in Assemblies	None	Ĭ	*	N/A		\$	63		\$	174	\$	119	\$	131
Carnival/Fairs	None	8	\$	1,840		\$	312		\$	174	Ŝ	775	\$	551

Fee Description	Company of the Compan		Fe	es							
· · · · · · · · · · · · · · · · · · ·	Morgan Hill Fees Est. 1995	Gilroy Fees Est. FY0	4/05	Campbell Fees Est. FY04	200000000000000000000000000000000000000	San Jos Fees Est. FY		Ave	erage Fee	AMERICA GOYPESTON	oosed I. Fees
PLAN/PERMIT REVIEW FEES											
Welding/Cutting Operations	None	\$	85	\$	240	\$	174	\$	166	\$	131
Industrial Oven Baking/Drying/Spray Boot	None		N/A	\$	187	\$	309	\$	248	\$	394
Tents/Canopies	None		N/A	\$	187	\$	444	\$	316	\$	551
STORAGE PERMITS/INSPECTI											
Celluose/Nitrate/Film	None	\$	215	\$	63	\$	192	\$	157		None
Combustible Fiber	None	\$	215	\$	218	\$	481	\$	305	\$	131
High Piled Storage	None	\$	215	\$	349	\$	481	\$	348	\$	236
Tire Storage	None	\$	215	\$	156	\$	192	\$	188	\$	131
OPERATIONS											
Alarm Response	None		N/A	\$	287	\$	486	\$	387		None
After Hours Response	None		N/A	\$	287	\$	162	\$	224.50		None
Haz materials - False	None		N/A	\$	287	\$	162	\$	225		None
Fire Hydrant - Flow Test	None	\$	240	\$	379	\$	486	\$	433		None
Variance or Alt. Materials and Methods	None	\$	360	\$	182	\$	292	\$	237	\$	131
DOCUMENT FEES											
Plan Sheet (cost per sheet)	None		N/A	\$	1		N/A	\$	1		None
			I			plus					
Photographs (Fire Investigation)	None		N/A	\$	6	processing \$	15	\$	10		None
Microfiche or Scanning (cost per sheet)	None		N/A	\$	4			\$	4		None

ATTACHMENT B

PROPOSED FIRE INSPECTION FEE SCHEDULE Based on Estimated Costs to Provide Inspection Services

Notes: hourly rate of \$105/hour per SCCFD calculations including 10% overhead rate calculation. Average of cost for Engine crew and Deputy Fire Marshal inspections. Travel time is included in hourly estimate.

Fee Description	Current Fees (est. 1995)	(including plan review as	Est. cost/hr. fo inspection (fully burdened rate)	•	Est. No. Inspections	Est. Revenue (col G * col H)
Annual Inspection Fees						
PUBLIC ASSEMBLY FEE (included in Annual Inspection Fee below)		Transfer for the state of the s				
ANNUAL INSPECTION FEE Includes public assembly, day care, residential care, multi- family residential, institutional, retail, office, manufacturing SELF-INSPECTION FEE - Qualifying occupancies to be		2		\$ 210		\$ 196,770
determined		0.17	\$ 100) \$ 17	443	\$ 7,531
RE-INSPECTION FEE		0.5	\$ 105	\$ 53	12	\$ 636
Hazardous Materials Fees						
ANNUAL HAZ MAT FACILITY INSPECTION/PERMIT						
Category 1	\$ -	1.25	\$ 105	1 '		\$ 11,266
Category 2 Category 3	\$ - \$ -	2.25 4.25	\$ 105 \$ 105	1		\$ 13,688 \$ 14,272
FACILITY CLOSURE INSPECTIONS (fees based on range) Level 1: Facilities with up to & including aggregate QR=2 gases at STP; and QR=1 in all other Hazard Classes; & not more that	\$ 175	1.25	\$ 105	\$ - \$ 131	1	\$ - \$ 131
Level 2: Materials/amounts/storage not covered under Level 1 or 3	\$ 350	3.25	\$ 105	\$ 341	1	\$ 341
Level 3: Underground tanks, toxic gases, 5 or more hazardous classes; hazardous class liquid or solid, non-toxic &	\$ 440	5.25	\$ 105	\$ 551	1	\$ 551

June 29, 2005

Fee Description	F	rrent ees . 1995)	Est. hours required for inspection (including plan review as needed)	ins	cost/hr. for pection (fully urdened rate)	Proposed Fees (col E * col F)	Est. No. Inspections	Est. Revenue (col G * col H)
Level 4: Facilities with < 100,000 lbs of solids; < than 10,000 gallons of liquids; <50,000 cubic fee at STP of gases Level 5: Fees associated with all aspects of storage, handling,	\$	440	No fee proposed No fee proposed	Madda - San Panga - and A				
mitigation of regulated materials within city limits. UNDERGROUND TANKS Annual Underground Tank Permit Removal of 1st tank Each additional tank Installation of 1st tank Each additional tank Each additional tank	\$ \$ \$ \$	200 100 200 100	No fee proposed 3.75 1.25 7.25 1.75	**	105 105	\$ 394 \$ 131 \$ 761 \$ 184	2 1 1 1	\$ 788 \$ 131 \$ 761 \$ 184
ABOVE GROUND TANK Installation of 1st tank Each additional tank installation Removal of 1st tank Each additional tank removal			4.25 1.25 1.75 1.25	\$ \$ \$ \$	105 105	\$ 446 \$ 131 \$ 184 \$ 131	2 1 1 1	\$ 892 \$ 131 \$ 184 \$ 131
PERMIT/PLAN REVIEW FEES Fire Sprinklers & Related Systems Fire Alarms Underground fire, ansul systems, alarm systems Underground supply piping/hydrant systems Haz Mat Permit Fee	\$ \$	90 90 90	3.25 3.25 3.25 2.25 No fee proposed	\$ \$ \$	105 105	\$ 341 \$ 341 \$ 341 \$ 236	113 11 6 9	\$ 38,533 \$ 3,751 \$ 2,046 \$ 2,124
Haz mat plan review and inspection On-Site Hydrant Fireworks (includes plan review and onsite inspection) Carnival/Fairs (includes plan review and onsite inspection) Alternate materials/methods of construction review Candles/open flames in assemblies			2.25 2.25 5.25 5.25 1.25 1.25	\$ \$ \$ \$ \$ \$	105 105 105 105	\$ 236 \$ 236 \$ 551 \$ 551 \$ 131 \$ 131	4 6 1 5 1	\$ 944 \$ 1,416 \$ 551 \$ 2,755 \$ 131 \$ 131

Fee Description	Current Fees (est. 1995)	Est. hours required for inspection (including plan review as needed)	, -	st/hr. for ion (fully ed rate)	Fees	osed (col	i	No.	Re	Est. venue G*col H)
OPERATIONAL PERMIT FEES		Without the College, we are not the second who, a process of a second of the second office and residence as of the desired and the second office and a second of the second office as of the second of	arronder verder verde. Die mit die deren ein zu einkommende eine der						Children sellevi	
Hot work operations (Welding/Cutting Operations)		1.25	\$	105	\$	131		5	\$	655
Industrial Baking/Drying Ovens		3.75	\$	105	\$	394	·		\$	394
Tents/Canopies Cellulose/Nitrate/Film		5.25	\$	105	\$	551	1	ł	\$	2,204
Combustible Fiber Storage		No fee proposed 1.25		105		101	l ,			494
High Piled Storage		2.25	\$ \$	105 105	\$ \$	131 236		2	\$ \$	131 472
Tire Storage		1.25	\$ \$	105) \$ \$	131		1	э \$	131
EMERGENCY RESPONSE FEES Alarm Response After Hours Response Haz materials - False Fire Hydrant - Flow Test		No fee proposed No fee proposed No fee proposed No fee proposed								
DOCUMENT FEES Plan Sheet (cost per sheet)		No fee proposed								
Photographs (Fire Investigation)		No fee proposed No fee proposed								
Microfiche or Scanning (cost per sheet)		No fee proposed					\$	253,523		
Projection for all fees, for full year			Inspections \$	204,937	' Haz Ma \$	t 43,451	Plan (\$	304,757
October 2005 - June 2006 revenue (75%)			\$	153,703						
Projection for 2005/06			¢	153,703	¢	43,451	¢.	56,369	œ	253,523

June 29, 2005 3



CITY COUNCIL STAFF REPORT MEETING DATE: AUGUST 24, 2005

TITLE: AMENDMENT OF MUNICIPAL CODE REGARDING ADOPTION OF THE 2004 CALIFORNIA ELECTRICAL CODE

RECOMMENDED ACTION(S):

- 1) Open/Close Public Hearing
- 2) Waive the first and second reading of the Ordinance
- 3) Introduce Ordinance (roll call vote)

Agen	da Item #24
Prep	ared By:
Moni	ica Chavez
Delga	ado
Appı	oved By:
Com	munity
Deve	lopment Director

City Manager

EXECUTIVE SUMMARY:

Pursuant to the Health and Safety Code, the California Housing and Community Development Department (HCD) is required to adopt certain uniform codes, published by various professional organizations, as the codes governing various building standards, including electrical and energy. If local agencies do not act to adopt their own versions of the uniform codes, the versions adopted by HCD will govern building standards. However, local agencies may modify the uniform codes adopted by HCD upon making findings relating to local geographical, topical, or climactic conditions.

HCD recently adopted a revised version of the electrical code. In order to maintain consistency with the adopted versions of the HCD codes, it is necessary to make revisions to certain provisions of our Municipal Code to incorporate the new version of the electrical code. Those revisions are attached hereto. Additionally, the Municipal Code is being amended to incorporate Article 334.12 of the California Electrical Code, regarding restrictions on use of Non-Metallic-Sheathed Cables.

The proposed amendment to the Municipal Code has been communicated to all local builders and developers and they have no objection to the amendment.

FISCAL IMPACT:

No budget adjustment required.

ORDINANCE NO., NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING SECTION 1.01.010 G OF CHAPTER 1.01 (CODE ADOPTION) OF TITLE 1 (GENERAL PROVISIONS), AMENDING SECTION 15.12.020 (ADOPTION OF THE CALIFORNIA ELECTRICAL CODE) AND ADDING SECTION 15.12.040 (ADDING CALIFORNIA ELECTRICAL CODE ARTICLE 334.12 REGARDING NON-METALLIC-SHEATHED CABLES) TO THE MORGAN HILL MUNICIPAL CODE TO INCLUDE THE CURRENT EDITION OF THE CALIFORNIA ELECTRICAL CODE.

WHEREAS, Health and Safety Code section 17958 allows the adoption by the City of Morgan Hill of regulations imposing the requirements of certain uniform industry codes as specified in Health and Safety Code section 17922; and

WHEREAS, the City Council finds that the adoption of such provisions is necessary to enact a systematic method for regulation of the topics addressed in said uniform industry codes, and to foster the health, safety and welfare of the citizens of Morgan Hill; and

WHEREAS, a Public Hearing concerning these amendments was properly noticed and held; and

WHEREAS, the City of Morgan Hill desires to adopt the 2004 California Electrical Code.

THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY ORDAIN AS FOLLOWS:

- **SECTION 1.** Section 1.01.010 G of Chapter 1.01 (Code Adoption) of Title 1 (General Provisions) of the Morgan Hill Municipal Code is hereby amended to read as follows:
 - G. "National Electrical Code, 1999 2002 Edition," "California Electrical Code 2001 2004 Edition," promulgated by the National Fire Protection Association;
- **SECTION 2.** Section 15.12.020 (Adoption of the California Electrical Code) of Chapter 15.12 (Electrical Code) of Title 15 (Buildings and Construction) is hereby amended to read as follows:

"Section 15.12.020 Adoption of the California Electrical Code. Pursuant to Sections 50022.1 through 50022.4, inclusive, of the Government Code of the State of California, the text of that certain publication copyrighted and published by the National Fire Protection Association entitled "California Electrical Code, 2001 2004 Edition," is hereby adopted as the rules, regulations and standards within this city as to all matters therein contained, except as otherwise provided in this chapter. One copy of the California Electrical Code, 2001 2004 Edition, shall at all times be kept on file in the office of the city clerk and be available for public inspection."

SECTION 3. Is hereby added to Chapter 15.12 of the Morgan Hill Municipal Code Section 15.12.040, which shall read as follows:

"Section 15.12.040 Additions, Amendments and Deletions.

A. Article 334.12 of the California Electrical Code shall be added and amended as follows:

Article 334.12 Non-Metallic-Sheathed Cables.

- (a) Type NM or NMC. Type NM and NMC cables shall not be used (1) in any dwelling or structure exceeding three floors above grade; (2) as service-entrance cable; (3) embedded in poured concrete; or (4) in any non-residential occupancy. For the purpose of this article, the first floor of the building shall be that floor that has 50 percent or more of the exterior wall surface area level with or above finish grade. One additional level that is the first level and not designed for human habitation and used only for vehicle parking, storage, or similar use shall be permitted.
- **SECTION 4.** Findings. The changes or modifications in the requirements of the National Electrical Code, 2002 edition, as set out in this section, are necessary because Morgan Hill is located in a seismic Zone 4. This is the highest classification for seismic activity. Morgan Hill has had major earthquakes in 1984 and in 1989 which caused major damage to commercial structures. Nonmetallic-sheathed cable is not afforded the same protection from damage as wiring in raceways. Damage to Nonmetallic-sheathed cable could occur in a seismic event which increases the potential for a fire."
- <u>SECTION 5.</u> <u>Severability.</u> If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.
- SECTION 6. California Environmental Quality Act (CEQA) Compliance. Pursuant to CEQA Guideline Section 15061(b)(3), this Ordinance is exempt from the provisions of the CEQA, as it does not have a potential for causing a significant effect on the environment. This action is further exempt under the definition of Project in Section 15378(b)(3) in that it concerns general policy and procedure making.
- **SECTION 7.** Effective Date; Publication. This Ordinance shall take effect from and after thirty (30) days after the date of its adoption. The City Clerk is hereby directed to publish this Ordinance pursuant to §36933 of the Government Code.

City of Morgan Hill Ordinance No. , New Series Page 3 of 3

The foregoing ordinance was introduced at the special meeting of the City Council of the City of Morgan Hill held on the 24th Day of August 2005, and was finally adopted at a regular meeting of said Council on the Day of September 2005, and said ordinance was duly passed and adopted in accordance with law by the following vote:

AYES: NOES: ABSTAIN: ABSENT:	COUNCIL MEMBERS: COUNCIL MEMBERS: COUNCIL MEMBERS: COUNCIL MEMBERS:	
ATTEST:		APPROVED:
Irma Torrez	, City Clerk	Dennis Kennedy, Mayor
	∞ <u>CERTIFICATE C</u>	OF THE CITY CLERK (%
CALIFORN New Series,	IA, do hereby certify that the fo	ERK OF THE CITY OF MORGAN HILI regoing is a true and correct copy of Ordinance No. The City of Morgan Hill, California at their regulations.
WITN	NESS MY HAND AND THE S	EAL OF THE CITY OF MORGAN HILL.
DATE:		IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT MEETING DATE: August 24, 2005

STATUS REPORT ON MORGAN HILL AQUATIC FOUNDATION

Interim City	7
Attorney	

Prepared By:

Agenda Item # 25

Submitted By:

City Manager

RECOMMENDED ACTIONS:

Discuss relationship between the City and the Morgan Hill Aquatic Foundation.

EXECUTIVE SUMMARY:

The City Council has requested that a discussion be held regarding the relationship of the City of Morgan Hill and the Morgan Hill Aquatic Foundation (formerly known as the Morgan Hill Aquatic Center, Inc.). The Morgan Hill Aquatic Foundation is registered as a non-profit California corporation on the Secretary of State website. The California Secretary of State is responsible for the regulation of California Corporations. We have also been informed that the Morgan Hill Aquatic Foundation is qualified as a 501(c)(3) corporation under the United States Internal Revenue Code, and have received documentation from the Internal Revenue Service that the Morgan Hill Aquatic Center Inc. qualified as a 501(c)(3) corporation. This is attached as Attachment A. The United States Internal Revenue Service is responsible for making sure that the rules regarding 501(c)(3) corporations are followed.

We have been told that the Bylaws of the Morgan Hill Aquatic Foundation have recently changed to state: "The specific purpose of this corporation is to facilitate the year round operation of the Morgan Hill Aquatics Center by funding selected capital improvement projects at the Morgan Hill Aquatics Center and providing support to individuals and organizations that as a priority represent the competitive aquatic sports community of Morgan Hill, California in USA swimming, water polo, diving and synchronized swimming". The City has received a copy of the bylaws for Morgan Hill Aquatic Center, Attachment B, though the copy received was electronic and therefore not signed. We do not have an executed copy of the updated bylaws which changed the Morgan Hill Aquatic Center, Inc. to the Morgan Hill Aquatic Foundation.

We have asked the Morgan Hill Aquatic Foundation to provide executed copies of the Articles of Incorporation, the current Bylaws and 501(c)(3) registration documents before the August 24, 2005, meeting, so that the Interim City Attorney can review them and comment on them at the meeting.

Under no circumstances is the City of Morgan Hill the enforcement agency for compliance with the laws concerning corporations or concerning 501(c)(3) corporations. Although the City has co-sponsored fund-raising events in the past, which had the effect of waiving facility use charges at the Community and Cultural Center, there are no contractual obligations between the City and the Morgan Hill Aquatic Foundation. The City, as any other entity, has the right to ensure that its name is not being used and that no false statements are being made regarding the relationship between the City and any entity.

FISCAL IMPACT:

None.



CITY COUNCIL STAFF REPORT MEETING DATE: August 24, 2005

Agenda Item # 26
Prepared/Approved
By:

Council Services & Records Manger

Submitted By:

City Manager

REQUEST TO SCHEDULE A HALF-DAY CITY COUNCIL WORKSHOP

RECOMMENDED ACTION(S): Identify Date to Conduct a Workshop

EXECUTIVE SUMMARY:

At the City Council meeting of July 27, 2005, Council Member Grzan raised a suggestion under "Future Council-Initiated Agenda Items" that the Council consider scheduling a half-day workshop to review the status of the adopted City Council policies, goals and objectives for 2005. On August 4, 2005, Mayor Pro Tempore Tate recommended discussion on how the Council's subcommittees are working be a topic to be discussed at the half day workshop. These subcommittees include: Utilities & Environment Committee; Financial Policy Committee; Public Safety & Community Services Committee; Regional Planning & Transportation Commission; and Community & Economic Development Committee.

Staff is requesting that the Council identify a date to schedule the half day workshop. Also, that the Council identifies any other topics it would like to add to the workshop agenda. Please remember to bring your calendars to the August 24 meeting to assist in identifying a workshop date.

FISCAL IMPACT: No fiscal impact.